

RESOLUTION NO. 123

A RESOLUTION of the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington providing for the issuance of sewer revenue refunding bonds of the District in the total principal sum of \$5,565,000 for the purpose of providing funds necessary to refund certain of the outstanding sewer revenue bonds of the District; fixing the date, form, terms, covenants and maturities of said sewer revenue refunding bonds, and confirming the sale of said bonds to Seattle-Northwest Securities Corporation.

WHEREAS, \$5,500,000 principal amount of sewer revenue bonds of Whatcom County Water District No. 8, Whatcom County, Washington (herein called the "District") have been duly authorized and issued payable out of the "Sewer Revenue Bond Fund" created by Resolution No. 106 of the District and are now outstanding; and

WHEREAS, it now appears that the District can refund such outstanding sewer revenue bonds of the District (the "Outstanding Bonds") by the issuance of bonds bearing a rate of interest sufficiently lower than the rate borne by the Outstanding Bonds to effect a monetary saving to the District over and above all costs of such refunding, and that the District can thereby reduce its future debt service requirements and improve its ability to finance future additions and betterments to the comprehensive plan of the District by the issuance of its revenue bonds; and

WHEREAS, the Board of Commissioners has heretofore determined to accept the written offer of Seattle-Northwest Securities Corporation dated October 16, 1975, to purchase such revenue refunding bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington as follows:

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

a) The word "District" means Whatcom County Water District No. 8, Whatcom County, Washington.

b) The word "Bonds" means the \$5,565,000 of sewer revenue refunding bonds issued pursuant to and for the purposes provided in this resolution.

c) "Series A Term Bonds" means Bonds numbered 874 through 1053, inclusive.

d) "Series B Term Bonds" means Bonds numbered 1054 through 1113, inclusive.

e) The words "Outstanding Bonds" mean the outstanding \$5,500,000 of sewer revenue bonds of the District issued under date of April 1, 1975, pursuant to Resolution 106 of the District.

f) The words "106 Bond Fund" mean the Sewer Revenue Bond Fund created by Resolution No. 106 of the District.

g) The words "123 Bond Fund" or "Bond Fund" mean the Sewer Revenue Refunding Bond Fund of the District created herein.

h) "Board" means the Board of Commissioners of the District as the same shall be duly constituted from time to time.

i) "System" means the sanitary sewage collection and disposal system of the District, as the same shall be added to, bettered, improved and extended for as long as any of the Bonds and any Parity Bonds are outstanding, and may include any water supply and distribution system of the District in the event the District determines to operate a mutual water and sewer system and to combine its water and sewer systems.

j) The words "Gross Revenue" or "Revenue", as used in this resolution, mean all of the earnings and revenue received by the District from the operation of the System, except assessments and installments thereof and interest and penalties thereon collected in any utility local improvement district, including income derived from investments of monies in the 123 Bond Fund and the Reserve Account therein, but excluding income derived from investments deposited in the 106 Bond Fund.

k) "Assessments" means assessments levied in utility local improvement districts of the District which are pledged to be paid into the 123 Bond Fund, or the 106 Bond Fund, and shall include installments thereof and any interest and penalties due or which may become due thereon.

l) "Operating and Maintenance Expenses" means all necessary expenses incurred by the District in causing the System to be operated and maintained in good repair, working order and condition, but shall exclude nonrecurring expenditures and amounts expended by the District in any area of the District that may be annexed to any other public corporation when, as a condition to such annexation, the District receives payments from such public corporation to defray the costs of such expenses.

m) "Maintenance Fund" means the Sewer Maintenance Fund of the District created by Section 7 of Resolution No. 106.

n) "Parity Bonds" means any and all revenue bonds of the District issued after the date of issuance of the Bonds, the payment of the principal of and interest on which constitutes a lien and charge upon the moneys in the Maintenance Fund of the District and upon the Gross Earnings and Revenue of the System equal in rank with the lien and charge upon such moneys, Gross Earnings and Revenue of the System to pay and secure the payment of the principal of and interest on the Bonds.

o) "Term Bonds" means the Series A Term Bonds and the Series B Term Bonds and the bonds of any Parity Bond issue or series maturing in the last maturity year of such issue or series (regardless of reservation of prior redemptive rights) in an amount which is more than 1.25 times the average annual principal maturities of the bonds of such issue or series for the three calendar years immediately preceding such last maturity year.

Section 2. For the purpose of providing the moneys required to refund the Outstanding Bonds, the District shall issue its sewer

revenue refunding bonds in the principal amount of \$5,565,000 (the "Bonds"), dated October 1, 1975, in the denomination of \$5,000 each, bearing interest payable semiannually on the first days of each January and July thereafter (commencing January 1, 1976) and maturing January 1 as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-25	1976	\$ 125,000	7.750%
26-48	1977	115,000	7.750%
49-72	1978	120,000	7.750%
73-96	1979	120,000	7.750%
97-120	1980	120,000	7.750%
121-145	1981	125,000	7.750%
146-170	1982	125,000	7.750%
171-196	1983	130,000	7.750%
197-222	1984	130,000	7.750%
223-249	1985	135,000	7.750%
250-286	1986	185,000	7.750%
287-324	1987	190,000	7.750%
325-362	1988	190,000	7.750%
363-400	1989	190,000	7.750%
401-439	1990	195,000	7.750%
440-479	1991	200,000	7.750%
480-529	1992	250,000	8.000%
530-580	1993	255,000	8.000%
581-632	1994	260,000	8.000%
633-685	1995	265,000	8.000%
686-739	1996	270,000	8.125%
740-794	1997	275,000	8.125%
795-850	1998	280,000	8.125%
851-873	1999	115,000	8.125%
874-1053	1985	900,000	7.250%
1054-1113	1991	300,000	7.750%

The Bonds shall continue to bear interest at their respective coupon interest rates if the principal thereof be not paid at maturity. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the Treasurer of Whatcom County in Bellingham, Washington, or at the option of the holder, at either of the fiscal agencies of the State of Washington in the cities of Seattle, Washington and New York, New York.

Section 3. The District reserves the right to redeem Bonds outstanding as follows:

A. The District reserves the right to redeem outstanding Bonds numbered 1 through 873, inclusive, with monies from any source, in whole, or in part in inverse numerical order, at the following

times and at the following prices expressed as a percentage of the principal amount of Bonds redeemed, plus accrued interest to the date of redemption:

January 1, 1986 and July 1, 1986 at 102
 January 1, 1987 and July 1, 1987 at 101-1/2
 January 1, 1988 and July 1, 1988 at 101
 January 1, 1989 and July 1, 1989 at 100-1/2
 January 1, 1990 and on any interest
 payment date thereafter at 100.

B. The District further reserves the right to redeem outstanding Bonds numbered 1054 to 1113, with monies from any source, in whole, or in part in inverse numerical order, at the following times and at the following prices expressed as a percentage of the principal amount of Bonds redeemed, plus accrued interest to the date of redemption:

January 1, 1986 and July 1, 1986 at 102
 January 1, 1987 and July 1, 1987 at 101-1/2
 January 1, 1988 and July 1, 1988 at 101
 January 1, 1989 and July 1, 1989 at 100-1/2
 January 1, 1990 and on any interest
 payment date thereafter at 100.

C. All surplus monies in the 123 Bond Fund must be used to call Bonds as follows:

Outstanding Bonds numbered 874 through 1053, inclusive, shall be called for prior redemption in numerical order, at par plus accrued interest to date of redemption in accordance with the following schedule of mandatory redemptions:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
874-893	\$ 100,000	1/1/77
894-913	100,000	1/1/78
914-933	100,000	1/1/79
934-953	100,000	1/1/80
954-973	100,000	1/1/81
974-993	100,000	1/1/82
994-1013	100,000	1/1/83
1014-1033	100,000	1/1/84
1034-1053	100,000	1/1/85

Bonds numbered 1054 through 1113, inclusive, shall (if not previously called under the optional redemption provisions set forth in paragraph B above) be called for prior redemption after all Bonds numbered 874 through 1053, inclusive, have been

called, in numerical order, at par plus accrued interest to date of redemption, in accordance with the following schedule of mandatory redemptions:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
1054-1063	\$ 50,000	1/1/86
1064-1073	50,000	1/1/87
1074-1083	50,000	1/1/88
1084-1093	50,000	1/1/89
1094-1103	50,000	1/1/90
1104-1113	50,000	1/1/91

Notice of any such intended redemption shall be given by one publication thereof in the official newspaper of Whatcom County, Washington not more than fifty nor less than twenty days prior to said redemption date, and by mailing a like notice at the same time to Seattle-Northwest Securities Corporation, Seattle, Washington, at its main office or to the successor in business of said corporation, if any, at its main office, and to Standard and Poor's Corporation and Moody's Investor's Service, Inc., New York, New York, or to their successors. Interest on any Bond so called for redemption shall cease on such redemption date unless the same is not paid in full upon presentation made pursuant to such call.

D. In the event the District determines to refund any or all of the outstanding Bonds, it may provide in such refunding plan for redemption of any or all of the outstanding Bonds numbered 874 through 1113, inclusive, in accordance with the above schedules of mandatory redemptions, at par plus accrued interest to the date of redemption, until such Bonds are to be called and redeemed in accordance with the redemption provisions of subsection B above.

E. In the event that there are insufficient surplus amounts in the 123 Bond Fund to permit the foregoing mandatory redemption schedules to be maintained, Bonds not redeemed on their scheduled mandatory redemption date shall be redeemed on the next interest payment date on which there are surplus amounts on hand

in the Bond Fund sufficient to accomplish such redemption.

F. "Surplus amounts", as used in this section, shall mean monies on hand in the 123 Bond Fund, after all amounts required to be paid into the Reserve Account have been paid, which exceed the amount required during the succeeding twelve month period to pay Bond principal (if any) and Bond interest coming due during such period.

G. The District further reserves the right, whenever it has any surplus money in the Sewer Maintenance Fund of the District over and above all other moneys required by this resolution to be paid into the 123 Bond Fund and the Reserve Account created therein, to use the same at any time to purchase any of the Bonds in the open market for retirement if the same may be purchased at not more than the lowest price at which such Bonds may be called on the next interest payment date, plus accrued interest.

Section 4. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$5,000

STATE OF WASHINGTON

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON
SEWER REVENUE REFUNDING BOND, 1975

Whatcom County Water District No. 8 (hereinafter called the "District"), Whatcom County, Washington, a municipal corporation of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to bearer, on the first day of January, 19____, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of ____% per annum payable semiannually on the first days of January and July

of each year from date of issue (commencing January 1, 1976) as evidenced by and upon presentation and surrender of the attached interest coupons as they severally become due or until such principal sum shall have been paid or duly provided for.

Both principal and interest are payable in lawful money of the United States of America at the office of the Treasurer of Whatcom County in Bellingham, Washington, or, at the option of the holder at either of the fiscal agencies of the State of Washington in the cities of Seattle, Washington, or New York, New York, solely out of the special fund of the District known as the "Sewer Revenue Refunding Bond Fund" created by Resolution No. 123 of the District (herein called the "Bond Resolution").

Redemption Provisions:

A. The District has reserved the right to redeem outstanding bonds numbered 1 through 873, inclusive, with monies from any source, in whole, or in part in inverse numerical order, at the following times and at the following prices expressed as a percentage of the principal amount of bonds redeemed, plus accrued interest to the date of redemption:

January 1, 1987 and July 1, 1987 at	101-1/2
January 1, 1988 and July 1, 1988 at	101
January 1, 1989 and July 1, 1989 at	100-1/2
January 1, 1990 and on any interest payment date thereafter at	100.

B. The District has further reserved the right to redeem outstanding bonds numbered 1054 to 1113, with monies from any source, in whole, or in part in inverse numerical order, at the following times and at the following prices expressed as a percentage of the principal amount of bonds

redeemed, plus accrued interest to the date of redemption:

January 1, 1986 and July 1, 1986 at 102
January 1, 1987 and July 1, 1987 at 101-1/2
January 1, 1988 and July 1, 1988 at 101
January 1, 1989 and July 1, 1989 at 100-1/2
January 1, 1990 and on any interest
payment date thereafter at 100.

C. All surplus monies in the Bond Fund must be
used to call bonds as follows:

Outstanding bonds numbered 874 through 1053, inclusive,
shall be called for prior redemption in numerical order, at
par plus accrued interest to date of redemption in accordance
with the following schedule of mandatory redemptions:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
874-893	\$ 100,000	1/1/77
894-913	100,000	1/1/78
914-933	100,000	1/1/79
934-953	100,000	1/1/80
954-973	100,000	1/1/81
974-993	100,000	1/1/82
994-1013	100,000	1/1/83
1014-1033	100,000	1/1/84
1034-1053	100,000	1/1/85

Bonds numbered 1054 through 1113, inclusive, shall (if not
previously called under the optional redemption provisions
set forth in paragraph B above) be called for prior redemption
after all bonds numbered 874 through 1053, inclusive, have
been called, in numerical order, at par plus accrued
interest to date of redemption, in accordance with the
following schedule of mandatory redemptions:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
1054-1063	\$ 50,000	1/1/86
1064-1073	50,000	1/1/87
1074-1083	50,000	1/1/88
1084-1093	50,000	1/1/89
1094-1103	50,000	1/1/90
1104-1113	50,000	1/1/91

Notice of any such intended redemption shall be given
by one publication thereof in the official newspaper of
Whatcom County, Washington not more than fifty nor less

than twenty days prior to said redemption date, and by mailing a like notice at the same time to Seattle-Northwest Securities Corporation, Seattle, Washington, at its main office or to the successor in business of said corporation, if any, at its main office, and to Standard and Poor's Corporation and Moody's Investor's Service, Inc., New York, New York, or to their successors. Interest on any bond so called for redemption shall cease on such redemption date unless the same is not paid in full upon presentation made pursuant to such call.

This bond is one of an issue of 1113 bonds of like amount, date and tenor, except as to number, rate of interest, and maturity date, aggregating \$5,565,000 in principal amount, and is issued pursuant to the laws of the State of Washington, the Bond Resolution and other resolutions of the Board of Commissioners of the District duly and regularly adopted to provide funds to refund certain outstanding revenue bonds of the District. The Bonds of this issue are payable, both principal and interest, solely out of the earnings and revenue of the District System (as defined in the Bond Resolution) and out of any utility local improvement district assessments that are or may be hereafter required by law and resolutions of the Board of Commissioners of the District to be paid into its Sewer Revenue Bond Fund.

The District hereby covenants and agrees with the holder of this bond that it will keep and perform all the covenants of this bond and of the Bond Resolution to be by it kept and performed.

The District does hereby pledge and bind itself to set aside and pay into said Sewer Revenue Refunding Bond Fund and the Reserve Account created therein by the Bond

Resolution all utility local improvement district assessments that are and may be hereafter required by law and resolutions of the District to be paid therein when collected, including assessments levied within utility local improvement districts 2, 3 and 4 of the District, and further pledges and binds itself to set aside out of the gross earnings and revenue of the System and to pay into said Sewer Revenue Refunding Bond Fund and Reserve Account, the various amounts required by the Bond Resolution to be paid into said Fund and Account, all within the times provided by said Resolution.

Said amounts so pledged to be paid out of such gross earnings and revenue into the Bond Fund are hereby declared to be a prior lien and charge thereon superior to all other liens and charges of any kind or nature except Operating and Maintenance Expenses of the System (as such terms are defined in the Bond Resolution) and equal in rank to any charges that may be made thereon to pay and secure the payment of the principal of and interest on any revenue bonds which the District may issue later on a parity with the bonds of this issue.

The District has further bound itself to maintain its System in good condition and repair, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for service furnished by its System which, together with other revenue of the District, will provide amounts sufficient to meet the Coverage Requirement (as defined in the Bond Resolution) after providing for such Operating and Maintenance Expenses, but before depreciation.

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance

with the Constitution and laws of the State of Washington and resolutions of the Board of Commissioners of the District, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, Whatcom County Water District No. 8, Whatcom County, Washington, has caused this bond to be signed by the facsimile signature of the President of its Board of Commissioners, to be attested by the Secretary of said Board, the corporate seal of the District to be impressed hereon, and the interest coupons attached hereto to be signed with the facsimile signatures of said officials, this first day of October, 1975.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President of its Board of
Commissioners

ATTEST:

Secretary

The interest coupons to be attached to the Bonds shall be in substantially the following form:

NO. _____ \$ _____

On the first day of _____, 19____, Whatcom County Water District No. 8, Whatcom County, Washington, will pay to bearer at the office of the Treasurer of Whatcom County, in Bellingham, Washington, or, at the option of the holder, at either of the fiscal agencies of the State of Washington in the cities of Seattle, Washington, or New York, New York, the amount shown hereon in lawful money of the United States of America out of the special fund of the District known as the "Sewer Revenue Refunding Bond Fund", said amount being the semiannual interest due that date on its Sewer Revenue

Refunding Bond, 1975 dated October 1, 1975 and numbered

_____.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President of its Board of
Commissioners

ATTEST:

Secretary

Section 5. The Bonds shall be signed on behalf of the District by the facsimile signature of the President of its Board of Commissioners, shall be attested by the manual signature of the Secretary of said Board, and shall have the seal of the District impressed thereon. The interest coupons attached thereto shall be signed with the facsimile signatures of said officials.

Section 6. A special fund of the District known as the "Sewer Maintenance Fund" has heretofore been created in the office of the Treasurer of Whatcom County. All of the Gross Revenue of the System shall be credited to said Maintenance Fund as collected; provided, however, that when said revenue is turned over to and deposited with the Treasurer of Whatcom County, the Board of Commissioners of the District may designate the amounts of such moneys to be deposited in the 123 Bond Fund and the Reserve Account therein and the amounts required to be credited to any other funds or accounts of the District that may hereafter be created to secure the payment of the principal of and interest on any other revenue bonds of the District. All costs of maintaining and operating the System shall be paid out of said Maintenance Fund.

Section 7. The Sewer Revenue Refunding Bond Fund is hereby created in the office of the Treasurer of Whatcom County for the

purpose of paying the principal of and interest on the Bonds and any Parity Bonds.

A. The Whatcom County Treasurer is hereby authorized and requested, and the District hereby further obligates and binds itself to cause to be set aside and paid into the 123 Bond Fund, out of the Gross Revenue of the System and the money in the Sewer Maintenance Fund, and out of any other moneys legally available therefor, those amounts which, with any money on hand in such 123 Bond Fund and available therefor, are necessary to pay the principal of and interest on the Bonds outstanding as the same respectively become due and payable. Said payments shall be made on or before the twentieth day of each month in the following amounts:

(1) In the month of December, 1975, a sum equal to the interest to become due and payable on the Bonds outstanding on January 1, 1976.

(2) Beginning with the month of January, 1976, and continuing for as long as any of the Bonds are outstanding and unpaid, one-sixth of the amount which, together with the money on hand in such Fund and available for this purpose, will equal the interest to become due and payable on the Bonds outstanding on the next semiannual interest payment date.

(3) Beginning with the month of January, 1976, and continuing for as long as any of the Bonds are outstanding and unpaid, one-twelfth of the amount which, together with the money on hand in such Fund and available for this purpose will equal the principal amount of such Bonds to become due and payable on the next principal payment date.

The amounts herein pledged to be paid out of the money in the Maintenance Fund and the Gross Revenue into the Bond Fund and the Reserve Account created therein are hereby declared to be

a lien and charge upon such money and Gross Revenue superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and equal in rank to any charges which may be made hereafter upon said money and Gross Revenue for the payment of the principal of and interest on any Parity Bonds.

Section 8. In the event that money and/or "Government Obligations," as such Obligations are defined in Ch. 39.53 RCW, either as now existing or as hereafter amended, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money if necessary) sufficient to redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special account to effect such redemption and retirement, and such money and/or the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the 123 Bond Fund for the payment of the principal of and interest on the Bonds so provided for, and the holders of such Bonds and the appurtenant coupons shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive the moneys so set aside and pledged, and such Bonds and such coupons shall be deemed not to be outstanding hereunder.

Section 9. A Reserve Account is hereby created in the 123 Bond Fund. The District hereby covenants and agrees that it will pay into the Reserve Account out of money in its Maintenance Fund, out of the Gross Revenue of the System and out of any other moneys legally available therefor, approximately equal annual amounts which, together with the balance in such Reserve Account, will equal within five years after the date of issuance of the Bonds, the sum of \$700,000.

All Assessments, as received, over and above the amounts required to make the payments into the 123 Bond Fund set forth in

Section 7 hereof, shall be paid into the Reserve Account until such required amount has been paid therein, and all such Assessments so paid into the Reserve Account shall be credited against the annual payments required in the preceding paragraph.

All moneys now on hand in the 106 Bond Fund and the Reserve Account therein (exclusive of the sum of \$255,937.50 to be utilized to purchase Acquired Obligations as set forth in Section 14 hereof) shall be transferred to such 123 Bond Fund upon delivery of the Bonds to the initial purchaser thereof.

The District further covenants and agrees that it will at all times maintain said amounts in the Reserve Account until the Bonds shall have been paid in full or such payment has been fully provided for. The moneys in the Reserve Account may be withdrawn to pay the principal of, interest and premium, if any, on all the outstanding bonds of any single issue or series of bonds payable out of the 123 Bond Fund (or to purchase Government Obligations as defined in Section 8, for such purpose) or may be transferred to any reserve account created to secure the payment of bonds issued to refund bonds payable out of the 123 Bond Fund as long as the moneys left remaining on deposit in the Reserve Account are at least equal to the average annual debt service due thereafter on all of the remaining outstanding bonds payable out of the 123 Bond Fund (exclusive of Bonds, and bonds whose redemption and/or retirement has been fully provided for pursuant to Section 8 hereof or a like provision of any resolution authorizing the issuance of Parity Bonds), plus (until all Bonds are retired or sufficient moneys and investments are set aside to pay the principal of and interest on all outstanding Bonds to their maturity or date of prior redemption) the sum then required to have been paid into the Reserve Account by the first paragraph of this section.

In the event the money in the 123 Bond Fund over and above the amount therein set aside and credited to the Reserve

Account is insufficient to meet maturing installments of either interest on or principal of and interest on any outstanding bonds payable out of such Fund, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from money in the Maintenance Fund, the Gross Revenue of the System, Assessments and/or other moneys of the District legally available therefor, which shall be first available after making necessary provision for the payments required to be made into such Fund to pay the principal of and interest on all then outstanding bonds payable out of such Fund and next coming due.

All money in the 123 Bond Fund or Reserve Account may be kept in cash, may be deposited in such financial institutions as are permitted by law, in amounts not exceeding the amount that any single account is insured by any department or agency of the U. S. Government, or may be invested in direct obligations of the U. S. Government, or obligations guaranteed by an agency of the U. S. Government, maturing not later than the last maturity of any Bonds or Parity Bonds then outstanding. The earnings on such investments and any profit realized on the sale thereof shall be deposited in and shall become a part of the 123 Bond Fund.

Section 10. The Board hereby declares that in fixing the amounts to be paid into the 123 Bond Fund and Reserve Account out of Assessments, out of the money in the Maintenance Fund and out of the gross revenue of the System, it has exercised due regard for the Operating and Maintenance Expenses of the System and has not obligated the District to set aside and pay into said Fund and Account a greater amount of the Gross Revenue of the System than in its judgment will be available over and above such Operating and Maintenance Expenses.

Section 11. The District hereby covenants with the owner and holder of each of the Bonds and any Parity Bonds for as long as any of the same remain outstanding as follows:

a. That it will promptly collect and pay into the 123 Bond Fund all outstanding Assessments levied in Utility Local Improvement Districts 2, 3 and 4 of the District, and in any utility local improvement district hereafter created to secure the payment of the principal of and interest on any bonds payable out of the 123 Bond Fund, without said Assessments being particularly allocated to the payment of the principal of and interest on any particular issue or series of such bonds.

b. That it will establish, maintain and collect rates and charges for service furnished by the System, which, together with other revenues of the District, including Assessments and income derived from investments of moneys on hand in the 123 Bond Fund or Reserve Account, but excluding amounts received or to be received from another public corporation resulting from the take-over of all or any portion of the System by such public corporation, will provide amounts sufficient to meet the Coverage Requirement (as hereinafter defined) after providing for all Operating and Maintenance Expenses, but before depreciation.

For any year after 1975 in which there are outstanding Assessments, other than Assessments, if any, then in default, the term "Coverage Requirement" shall mean 1.10 times the average amount required in each year thereafter to pay the interest on all outstanding Term Bonds having mandatory redemption dates to such dates, to make all mandatory redemptions of such Term Bonds, and to pay the principal of and interest on all other Bonds or Parity Bonds outstanding, as the same shall become due.

For any year in which there are not outstanding Assessments except Assessments, if any, then in default, the term

"Coverage Requirement" shall mean 1.10 times the average amount required in each year thereafter to pay the interest on all outstanding Term Bonds having mandatory redemption dates to such dates; to make all mandatory redemptions of such Term Bonds, and to pay the principal of and interest on all other Bonds or Parity Bonds outstanding, as the same shall become due. In computing such "average amount required" as set forth in the paragraph, it may be assumed that moneys on hand in the 123 Bond Fund and the Reserve Account will be applied to pay and redeem the last outstanding bonds of the Bonds, or any Parity Bonds, and to pay interest thereon.

c. That it will at all times keep and maintain the System in good repair, working order and condition, and will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

d. That it will not sell or dispose of all of the properties or any part of the useful operating properties of the System unless provision is made for payment into the 123 Bond Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of outstanding bonds of the District payable out of the 123 Bond Fund (defined as the total amount of such bonds less the amount of cash and investments in such Fund and the Reserve Account therein) that the revenue from the portion of the System sold or disposed of for the twelve preceding months bears to the total revenue of the System for such period, or

(2) An amount which will be in the same proportion to the net amount of bonds payable out of the 123 Bond Fund (as defined in (1) above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

All such sums of moneys so paid into the 123 Bond Fund

shall be used to retire the outstanding bonds payable out of such Fund at the earliest possible date on which any of such bonds may be redeemed at par.

e. That it will cause proper books, records and accounts of the operation of the System to be kept and will cause to be prepared an annual financial and operating statement. Each of said statements shall be filed with the Board, shall be mailed to the main office of Seattle-Northwest Securities Corporation, and shall be sent to the holder of any Bond or Parity Bond upon request being made in writing therefor.

f. That it will at all times carry fire and extended coverage and such other forms of insurance on such of the buildings, equipment, facilities, and properties of the District, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board shall deem necessary for the protection of the District and the holders of all outstanding bonds payable out of the 123 Bond Fund.

That it will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the District against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Board shall deem necessary for the protection of the District and the holder of all outstanding bonds payable out of the Bond Fund.

g. That it will not furnish any service of the System to any customer or user of the System free of charge.

h. That it will, on or before March 1 of each calendar year commencing with the year 1976, determine all accounts that are delinquent and will take all necessary action to enforce payment of any such delinquencies including real property lien

foreclosure actions against those property owners whose accounts are more than six months in default.

That it will, on or before January 1 of each calendar year commencing with the year 1977, determine all Assessments or installments thereof in any utility local improvement districts of the District in which Assessments therein are required to be paid into the 123 Bond Fund that have become delinquent during the preceding calendar year, and will bring the necessary actions of foreclosure upon the property against which Assessments were levied by March 1 of each such calendar year.

Section 12. The District hereby further covenants and agrees with the owner and holder of each of the Bonds for as long as any of the same remain outstanding that it will not issue any Parity Bonds, except that it reserves the right,

First, to issue Parity Bonds for the purpose of acquiring, constructing and installing additions and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs to the System, or

Second, to issue refunding Parity Bonds for the purpose of refunding any outstanding revenue bonds of the District,

and to pledge and bind itself to make payments into the 123 Bond Fund out of the money in its Maintenance Fund and the Gross Revenue of the District which, together with Assessments collected and paid into the 123 Bond Fund, will be sufficient to pay the principal of and interest on such additional or refunding Parity Bonds and to maintain the reserves required therefor, which such payments shall rank equally with the payments required by this resolution to be made into the 123 Bond Fund and the Reserve Account therein to pay and secure the payment of the principal of and interest on the Bonds, upon compliance with the following conditions.

A. At the time of the issuance of such additional or refunding Parity Bonds there shall not be any deficiency in the 123 Bond Fund or the Reserve Account therein.

B. Each resolution providing for the issuance of such additional Parity Bonds shall require that any and all assessments levied in any utility local improvement district or districts in which improvements will be constructed from the proceeds of sale of such additional Parity Bonds will be paid directly into the 123 Bond Fund.

C. Each resolution providing for the issuance of such refunding Parity Bonds shall require that all uncollected Assessments which may have been levied to secure the payment of the principal of and interest on the bonds being refunded will be paid directly into the 123 Bond Fund and that all moneys held in any fund or account of the District created for the purpose of paying or securing the payment of the principal of and interest on the bonds being refunded be either used to pay the principal of and interest on such bonds or be transferred and paid into the 123 Bond Fund.

D. Each resolution providing for the issuance of such additional or refunding Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the 123 Bond Fund. Each such resolution shall further provide that the District will pay into the Reserve Account created in the 123 Bond Fund, out of the Assessments required to be paid into such Fund and, if necessary, out of the money in its Maintenance Fund, the Gross Revenue of the System, and any other moneys legally available therefor, approximately equal annual amounts which, together with the balance then in such Reserve Account and together with any payments required to be made into the Reserve Account by this resolution or any Parity Bond resolution, and yet unpaid, will equal within five years

after the date of issuance of such Parity Bonds the average annual amount required to pay the principal of and interest on all outstanding bonds payable out of the Bond Fund, including such additional or refunding Parity Bonds, but excluding Bonds and any bonds whose redemption and/or retirement have been fully provided for pursuant to Section 8 hereof, or any like provision of any resolution authorizing the issuance of Parity Bonds, plus (until all Bonds are retired or sufficient moneys and investments are set aside to pay the principal of and interest on all outstanding Bonds to their maturity or date of prior redemption) the sum of \$700,000. In the event no Assessments are levied to secure the payment of such additional Parity Bonds or there are not outstanding Assessments levied to secure the payment of the principal of and interest on the bonds being refunded by such refunding Parity Bonds, then the District shall make the payments necessary to establish the required balance in such Reserve Account within five years from the date of the issuance of such additional or refunding Parity Bonds in approximately equal monthly amounts.

E. At the time of the issuance of such additional or refunding Parity Bonds, the District shall have on file a certificate from an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities (which certificate may not be dated more than ninety days prior to the month of delivery of such additional or refunding Parity Bonds) stating that in his professional opinion the net revenue of the System and income from Assessments which will be available for the payment of the principal of and interest on the outstanding Bonds and any Parity Bonds then outstanding, and the Parity Bonds to be issued, in each year after the year in which the improvements (if any) being financed out of the proceeds of the sale of such Parity Bonds are to be completed will equal the Coverage Requirement as hereinbefore

defined.

The words "net revenue of the System" as used in the subparagraph immediately above shall mean the Gross Revenue of the District derived by reason of its ownership and operation of the System (except assessments and amounts received or to be received from another public corporation resulting from the take-over of a portion of the System by such public corporation), after deducting therefrom all Operating and Maintenance Expenses, but before depreciation and annual debt service on any outstanding revenue bonds or revenue warrants that may have a lien on the gross revenue of the System for such annual debt service junior and inferior to the lien on such gross revenue for the payment of the principal of and interest on the Bonds. The net revenue shall be determined from a financial statement of the District, authenticated by the Secretary of the Board, for a period of any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Parity Bonds. In the event that the System has not been in operation for a full twelve month period at the time that such engineer prepares his statement, he may estimate the net revenue which the District will derive during the twelve month period subsequent to completion of the facilities to be constructed out of the proceeds of sale of the Bonds, taking into consideration revenue from existing customers only. Such net revenue shall then be adjusted to reflect (a) any rate changes that have taken place or have been approved, (b) revenue reasonably expected to be derived from customers added to the System subsequent to such twelve months period and from customers to be served by improvements being constructed out of the proceeds of the bonds to be issued, (c) revenue from any customers anticipated to be added to the System in areas where service is available, provided that increases in revenue may be projected as being so derived only during the three calendar years following the issuance of such additional Parity Bonds and (d)

actual or reasonably anticipated changes in Operation and Maintenance Expenses subsequent to such twelve month period.

The "income from Assessments," as said term is used in this section, shall be determined as follows:

The amount of the unpaid balance of each assessment roll of any utility local improvement district or districts of the District, where such assessments have been pledged to be paid into the Bond Fund, shall be determined.

The balance then remaining on each such assessment roll shall be divided by the number of remaining years in which the installments of such assessments on each such roll may be paid without becoming delinquent, and there shall be added to the amount found for each year the interest due and payable on such installments. The amount so due each year shall be added to the net revenue of the System for the particular year in which it is computed to become due.

F. In the event that any refunding Parity Bonds provided for in this Section are issued for the sole purpose of exchanging with or providing funds to purchase or redeem or retire at or prior to their maturity any or all bonds payable out of the Bond Fund and the issuance of such refunding Parity Bonds and retirement of outstanding bonds results in a monetary savings to the District and such refunding Parity Bonds will not require a greater amount (exclusive of costs incidental to such refunding, any call premium or premiums, and except as necessary to round out maturities to the nearest \$5,000) to be paid in the same calendar year for the principal of and interest on the bonds being refunded, then the certificate required in subsection E. of this Section need not be obtained to permit such refunding Parity Bonds to be issued on a parity with any outstanding Bonds, and/or Parity Bonds then outstanding, although the provisions of subsections A, C and D of this Section must still be complied with.

Section 13. Nothing herein contained shall prevent the District from issuing revenue bonds which are a charge upon the Gross Revenue of the System and moneys in the Maintenance Fund junior or inferior to the payments required herein to be made into the 123 Bond Fund and the Reserve Account, or from pledging the payment of 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 such assessments are levied for improvements constructed for the proceeds of sale of such junior lien bonds, nor shall anything herein contained prevent the District from issuing revenue bonds to refund maturing revenue bonds of the District for the payment of which moneys are not otherwise available.

Section 14. There has heretofore been created a special fund of the District known as the Sewer Revenue Bond Fund (the 106 Bond Fund), for the purpose of paying the principal of, premium if any, and interest on the Outstanding Bonds. The proceeds of sale of the Bonds (exclusive of accrued interest, if any, which shall be paid into the 123 Bond Fund) shall be deposited in the 106 Bond Fund.

The Whatcom County Treasurer is hereby authorized and directed to use the moneys so deposited in the 106 Bond Fund (together with moneys on hand in said Fund prior to such deposit in the sum of \$255,937.50, representing Assessments paid into such Fund) to purchase the Acquired Obligations set forth in Schedule A-1 attached hereto and incorporated by reference herein to effect the refunding of the Outstanding Bonds as hereinafter set forth.

A. Such Acquired Obligations shall bear such interest and mature as to principal and interest so as to provide (together with any necessary beginning cash balance) for the payment of the interest on the Outstanding Bonds coming due on or prior to the

following principal payment dates (maturities or redemption dates as set forth below), to pay the principal amounts payable on such principal payment dates, and to pay any required redemption premiums:

<u>Bond Nos.</u>	<u>Date - May 1</u>	<u>Maturity (M) or Redemption (R)</u>
1-20	1977	M
21-40	1978	M
41-60	1979	M
61-80	1980	M
81-100	1981	M
101-120	1982	M
121-140	1983	M
141-160	1984	M
161-180	1985	M
181-200	1986	M
201-300	1987	M
301-320	1982	R
321-340	1983	R
341-350	1984	R
351-370	1987	M
371-380	1985	R
381-384	1987	M
385-400	1986	R
401-440	1989	R
441-458	1988	R
459-468	1989	R
469-474	1988	R
475-1100	1989	R

The District hereby irrevocably calls for redemption the following numbered Outstanding Bonds on the following dates in accordance with the provisions of Resolution No. 106 authorizing the redemption of the Outstanding Bonds prior to their fixed maturities:

<u>Bond Nos.</u>	<u>Date of Redemption</u>
301-320, inclusive	May 1, 1982
321-340, inclusive	May 1, 1983
341-350, inclusive	May 1, 1984
371-380, inclusive	May 1, 1985
385-400, inclusive	May 1, 1986
441-458, inclusive	May 1, 1988
469-474, inclusive	May 1, 1988
401-440, inclusive	May 1, 1989
459-468, inclusive	May 1, 1989
475-1,100	May 1, 1989

Said calls for redemption shall be irrevocable after the delivery of the Bonds to the initial purchasers thereof.

Such beginning cash balance and Acquired Obligations shall be irrevocably deposited with Rainier National Bank, Seattle,

Washington (hereinafter called the "Refunding Agent"). Any amounts described above which are not provided for in full by such beginning cash balance and the purchase and deposit of the Acquired Obligations described in this section shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or any other moneys of the District legally available therefor with the Refunding Agent.

The District reserves the right to substitute other securities for the Acquired Obligations in the event it may do so pursuant to Section 103(d)(2) of the Internal Revenue Code and applicable regulations thereunder, upon compliance with the following conditions:

(1) Such substitution is accomplished pursuant to resolution of the Commissioners of the District, which may be adopted either prior or subsequent to the delivery of the Bonds.

(2) The securities to be substituted meet the definition of "Government Obligations" as such obligations are defined in Ch. 39.53 RCW, as now or hereafter amended, and will not cause the Outstanding Bonds to be given a lesser rating by Moody's Investors Service, Inc.

(3) Such securities bear such interest and mature at such times and in such amounts as to fully replace the Acquired Obligations for which they are substituted and to provide, together with Acquired Obligations and cash remaining, for the payment of the amounts hereinbefore specified.

The District further reserves the right to transfer from the 106 Bond Fund (whether held by the District or the Refunding Agent) any moneys therein not thereafter required for the purposes set forth above.

Section 15. The Refunding Agent is hereby authorized and directed to provide for the giving of notice of the redemption of the Outstanding Bonds to be redeemed in accordance with the applicable provisions of this resolution and of Resolution No. 106 authorizing their issuance. The Whatcom County Treasurer is hereby authorized and requested to provide whatever assistance is required to the Refunding Agent in carrying out such task.

The Refunding Agent is hereby authorized and directed to pay to the County Treasurer, or, at the direction of the Treasurer, to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in subparagraph A of Section 14. All such sums shall be paid from the moneys and Acquired Obligations deposited with said Refunding Agent pursuant to this resolution, and the income therefrom and proceeds thereof. All such sums so paid for application to the payments specified in subparagraph A of Section 14 shall be credited to the 106 Bond Fund. All moneys and Acquired Obligations deposited with said bank and any income therefrom shall be held, invested (but only at the direction of the District) and applied in accordance with the provisions of this resolution and with the laws of the State of Washington for the benefit of the District and holders of the Outstanding Bonds.

The proper officers and agents of the District are directed to obtain from the Refunding Agent an agreement setting forth the duties, obligations and responsibilities of the Refunding Agent in connection with the redemption and retirement of the Outstanding Bonds as provided herein.

In order to carry out the purposes of the preceding section of this resolution and this section, the President and Secretary of the Board of Commissioners of the District are authorized and directed to execute and deliver to Rainier National Bank, Seattle, Washington, a copy of such agreement when the provisions thereof have been fixed and determined. Such agreement, when finally executed, shall be marked "Exhibit A", shall be attached to this resolution and by this

reference thereto is hereby made a part of this resolution.

Section 16. The District hereby finds and determines that the moneys and Acquired Obligations deposited in the 106 Bond Fund will be sufficient to provide money to pay, redeem and retire all of the Outstanding Bonds, that no further payments need be made into the 106 Bond Fund and the Outstanding Bonds shall no longer be deemed outstanding under the provisions of Resolution No. 106 of the District.

Section 17. The Commission hereby finds and determines that the issuance and sale of the Bonds at this time will effect a saving to the District. In making such finding and determination, this Commission has given consideration to the interest to the fixed maturities of the Bonds and the Outstanding Bonds, the costs of issuance of the Bonds and the known earned income from the Acquired Obligations pending redemption and retirement of the Outstanding Bonds.

Section 18. The District hereby covenants and agrees with the purchasers and holders from time to time of the Bonds that it will make no use of the proceeds of the Bonds during the term thereof which, if such use had been reasonably expected on the date the Bonds are issued, would have caused such Bonds to be arbitrage bonds within the meaning of Section 103(d) of the Internal Revenue Code of 1954 as amended and as interpreted by applicable proposed or permanent regulations.

Section 19. The action of the Board in accepting the written offer of Seattle-Northwest Securities Corporation, dated October 16, 1975, to purchase the Bonds at the price set forth in said offer and under the terms, conditions and covenants of the Bonds as set forth herein is hereby ratified and confirmed.

The Whatcom County Treasurer and District officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds and for the proper use and application of the proceeds of the sale thereof.

Section 20. If any one or more of the provisions, covenants or agreements provided in this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provisions or provision, covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining provisions, covenants and agreements and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

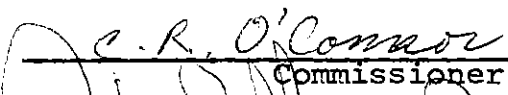
Section 21. This Resolution may subsequently be amended by resolution of the Board of Commissioners in any respect not prejudicial to the rights of the holders of outstanding Bonds or Outstanding Bonds.

ADOPTED by the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington, at a special meeting thereof held this 23rd day of October, 1975, notice of which has been duly given in the manner required by law.

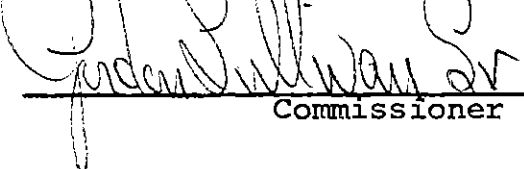
WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON



President and Commissioner

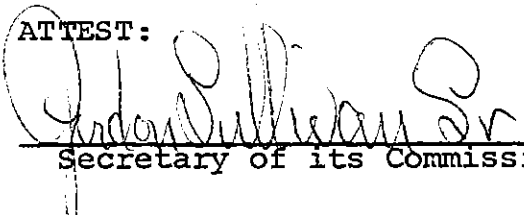


Commissioner



Commissioner

ATTEST:



Secretary of its Commission