

RESOLUTION NO. 252

A RESOLUTION of the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington providing for the issuance of sewer revenue and refunding bonds of the District in the total principal sum of \$5,730,000 for the purpose of providing funds necessary to refund certain of the outstanding sewer revenue bonds of the District and making additions to the sewer system of the District; fixing the date, form, terms, covenants and maturities of said bonds; and confirming the sale thereof to Seattle-Northwest Securities Corporation.

WHEREAS, \$5,225,000 principal amount of sewer revenue bonds of Whatcom County Water District No. 8, Whatcom County, Washington (the "Outstanding Bonds") have been duly authorized and issued payable out of the "123 Bond Fund" created by Resolution No. 123 of the District and are now outstanding; and

WHEREAS, it now appears that the District can refund the Outstanding Bonds by the issuance of refunding 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, by Resolution No. 239, adopted October 27, 1977, the formation of U.L.I.D. No. 7 and certain improvements therein as set forth in the Comprehensive Plan of the District were ordered by the Board of Commissioners and it is now necessary to issue sewer revenue bonds for the purpose of financing such improvements; and

WHEREAS, it is in the best interest of the District to combine such refunding bonds and such improvement bonds in a single issue of Sewer Revenue and Refunding Bonds; and

WHEREAS, the Board of Commissioners has heretofore determined to accept the written offer of Seattle-Northwest Securities Corporation dated December 8, 1977, to purchase such sewer revenue and 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 \$5,730,000 of sewer revenue and refunding bonds issued pursuant to and for the purposes provided in this resolution.

c. The words "Outstanding Bonds" mean the outstanding \$5,225,000 of sewer revenue bonds of the District issued under date of October 1, 1975, pursuant to Resolution No. 123 of the District.

d. The words "123 Bond Fund" mean the Sewer Revenue Bond Fund created by Resolution No. 123 of the District.

e. The words "252 Bond Fund" or "Bond Fund" mean the Sewer Revenue and Refunding Bond Fund of the District created herein.

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

g. "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.

h. 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 252 Bond Fund and the Reserve Account therein, but excluding income derived from investments deposited in the 106 Bond Fund or the 123 Bond Fund of the District.

i. "Assessments" means assessments levied in utility local improvement districts of the District which are pledged to be paid into the 252 Bond Fund or were previously 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.

j. "Operating and Maintenance Expenses" means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expense, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the System, municipal taxes, or payments to the District in lieu of taxes.

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

l. "Parity Bonds" means the Bonds and 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 and Gross Earnings and Revenue of the System to pay and

secure the payment of the principal of and interest on the Bonds.

m. "Term Bond Maturity Year" means any calendar year in which the principal amount of Parity Bonds maturing exceeds an amount equal to 1.25 times the average principal amount of Parity Bonds maturing in the three preceding years.

n. "Term Bonds" means the bonds of any issue or series of Parity Bonds which (a) mature in a Term Bond Maturity Year and (b) at the time of issuance cause such year to become a Term Bond Maturity Year, or would cause such year to become a Term Bond Maturity Year if previously issued Term Bonds were disregarded.

o. "Project" means the improvements set forth in the Comprehensive Plan of the District as adopted by Resolution No. 27 as subsequently amended and as further described in Resolution No. 239 of the District, ordering the formation of U.L.I.D. No. 7.

p. "Debt Service" means the annual payments of principal and interest on Parity Bonds, except that (a) "Debt Service" shall include the principal amount of Term Bonds required to be redeemed at fixed times from surplus funds in the 252 Bond Fund or to be provided for by mandatory sinking fund deposits, as of the time such redemption or deposits are required to be made, (or as of the Term Bond maturity date if such deposits or redemptions are not made when due) and shall not include interest on such Term Bonds after the date of such redemption, deposit or maturity, and (b) "Debt Service" shall not include the principal amount of any Term Bonds not described in (a).

Section 2. For the purpose of providing the monies required to refund the Outstanding Bonds and to finance the Project, the District shall issue its sewer revenue and refunding bonds in the principal amount of \$5,730,000 (the "Bonds") consisting of \$5,365,000 (Bonds Nos. 1-1073) for refunding purposes and \$365,000 (Bonds Nos. 1074-1146) for the purpose of financing the Project.

The Bonds shall be dated December 1, 1977, shall be in the denomination of \$5,000 each, shall bear interest payable July 1, 1978 and semiannually thereafter on the first days of each January and July and shall mature January 1 as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-37	1979	\$ 185,000	6.00%
38-73	1980	180,000	6.00%
74-109	1981	180,000	6.00%
110-145	1982	180,000	6.00%
146-181	1983	180,000	6.00%
182-217	1984	180,000	6.00%
218-256	1985	195,000	6.00%
257-295	1986	195,000	6.00%
296-335	1987	200,000	6.00%
336-575	1988	1,200,000	6.00%
576-635	1989	300,000	6.00%
636-696	1990	305,000	6.00%
697-758	1991	310,000	6.00%
759-820	1992	310,000	6.00%
821-882	1993	310,000	6.00%
883-946	1994	320,000	6.00%
947-1011	1995	325,000	6.10%
1012-1076	1996	325,000	6.10%
1077-1136	1997	300,000	6.20%
1137-1146	1998	50,000	6.20%

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. To the extent surplus funds are available in the Bond Fund the District shall call outstanding bonds numbered 376 through 575, inclusive, for prior redemption in numerical order, at par plus accrued interest to date of redemption, in accordance with the following schedule of mandatory redemption:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
376-395	\$100,000	1/1/79
396-415	100,000	1/1/80
416-435	100,000	1/1/81
436-455	100,000	1/1/82
456-475	100,000	1/1/83
476-495	100,000	1/1/84
496-515	100,000	1/1/85
516-535	100,000	1/1/86
536-555	100,000	1/1/87
556-575	100,000	1/1/88

If there are not in any year surplus funds in the Bond Fund sufficient to call the Bonds in accordance with the preceding schedule, the District shall call the amount of Bonds for which surplus funds are available and shall call the remainder of such Bonds from the surplus funds first available on the next semi-annual interest payment date on which sufficient funds are available.

B. The District reserves the right to redeem outstanding bonds numbered 576 through 1,136, 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, 1988 and July 1, 1988	at 102
January 1, 1989 and July 1, 1989	at 101
January 1, 1990 and on any interest payment date thereafter	at 100.

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 Moody's Investor's Service, Inc., New York, New York. Interest on any bond or bonds 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.

C. "Surplus funds", as used in this section, shall mean monies on hand in the 252 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.

D. 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 monies required by this resolution to be paid into the 252 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 AND REFUNDING BOND, 1977

Whatcom County Water District No. 8 (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 July 1,

1978) 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 Bond Fund" (the "Bond Fund") created by Resolution No. 252 of the District (the "Bond Resolution").

Redemption Provisions:

A. To the extent surplus funds are available in the Bond Fund the District shall call outstanding bonds numbered 376 through 575, inclusive, for prior redemption in numerical order, at par plus accrued interest to date of redemption, in accordance with the following schedule of mandatory redemption:

<u>Bond Nos.</u>	<u>Amounts</u>	<u>Call Dates</u>
376-395	\$100,000	1/1/79
396-415	100,000	1/1/80
416-435	100,000	1/1/81
436-455	100,000	1/1/82
456-475	100,000	1/1/83
476-495	100,000	1/1/84
496-515	100,000	1/1/85
516-535	100,000	1/1/86
536-555	100,000	1/1/87
556-575	100,000	1/1/88

If there are not in any year surplus funds in the Bond Fund sufficient to call the Bonds in accordance with the preceding schedule, the District shall call the amount of Bonds for which surplus funds are available and shall call the remainder of such Bonds from the surplus funds first available on the next semiannual interest payment date on which sufficient funds are available.

B. The District reserves the right to redeem outstanding bonds numbered 576 through 1,136, 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, 1988 and July 1, 1988 at 102
January 1, 1989 and July 1, 1989 at 101
January 1, 1990 and on any interest
payment date thereafter at 100.

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 Moody's Investor's Service, Inc., New York, New York. Interest on any bond or bonds 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 1,146 bonds of like amount, date and tenor, except as to number, rate of interest, and maturity date, aggregating \$5,730,000 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 for the purpose of providing funds to refund certain outstanding revenue bonds of the District and making certain capital improvements to the sewer system of the District. The Bonds of this issue are payable, both principal and

interest, solely out of the earnings and revenue of the 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 the Sewer Revenue 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 the Sewer Revenue 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 facsimile seal of the District to be printed hereon, and the interest coupons attached hereto to be signed with the facsimile signatures of said officials, this first day of December, 1977.

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 Bond Fund", said amount being the semiannual interest due that date on its Sewer Revenue Bond, 1977 dated December 1, 1977 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 facsimile seal of the District printed 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 252 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 252 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. All funds and investments in the 123 Bond Fund not utilized for the purpose of refunding the Outstanding Bonds shall be deposited in the 252 Bond Fund.

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 252 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 252 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) Beginning with the month of January, 1978, 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.

(2) Beginning with the month of January, 1978, 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 maturing 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 252 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 252 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, an amount equal to average annual Debt Service on the Bonds.

All Assessments, as received, over and above the amounts required to make the payments into the 252 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 and investments now on hand in the 123 Bond Fund and the Reserve Account therein (exclusive of the amounts to be utilized to purchase Acquired Obligations as set forth in Section 14 hereof) shall be transferred to the 252 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 252 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 252 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.

In the event the money in the 252 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 252 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 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 252 Bond Fund.

Section 10. The Board hereby declares that in fixing the amounts to be paid into the 252 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 for as long as any of the same remain outstanding as follows:

a. That it will promptly collect and pay into the 252 Bond Fund all outstanding Assessments levied in Utility Local Improvement Districts 2, 3, 4 and 7 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 252 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 252 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. The term "Coverage Requirement" shall mean 1.10 times the average annual Debt Service on all Parity Bonds. In computing such "average annual Debt Service" as set forth in this paragraph, it may be assumed that moneys on hand in the 252 Bond Fund and the Reserve Account in excess of the amounts required to pay the principal and interest next due on Parity Bonds payable from the 123 Bond Fund will be applied to pay and redeem the last outstanding bonds of any series of 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 252 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 252 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 252 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 252 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 252 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 1978, 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 1979, 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 252 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 are 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 or bonds having a lien on the Gross Revenue of the System prior to the lien of the 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 252 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 252 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 252 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 252 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 252 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 252 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 252 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 252 Bond Fund. Each such resolution shall further provide that the District will pay into the Reserve Account created in the 252 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 Debt Service on all outstanding bonds payable out of the Bond Fund, including such additional or refunding Parity Bonds, but excluding 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. 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. 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 who have been 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 within three years following the date of the certificate in areas where service is available at the time of the certificate, 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 252 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 123 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 refunding portion of the Bonds (exclusive of accrued interest, if any, which shall be paid into the 252 Bond fund and exclusive of the amounts required to pay the costs of issuance of the Bonds and of the Refunding) shall be deposited in the 123 Bond Fund. Any excess proceeds of the Refunding Bonds shall be deposited in the 252 Bond Fund.

The Whatcom County Treasurer is hereby authorized and directed to use the moneys so deposited in the 123 Bond Fund (together with moneys on hand in said Fund prior to such deposit in the amount of \$606,000.00) 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 following amounts:

(1) The principal of and interest on the following Outstanding Bonds as the same shall become due:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
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%

(2) Interest on the following Outstanding Bonds to their date of redemption and the redemption price payable on such dates.

<u>Bond Nos. (inclusive)</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
894-913	1/1/85	100,000	1/1/78	100
914-933	1/1/85	100,000	1/1/79	100
934-953	1/1/85	100,000	1/1/80	100
954-973	1/1/85	100,000	1/1/81	100
974-993	1/1/85	100,000	1/1/82	100
994-1013	1/1/85	100,000	1/1/83	100
1014-1033	1/1/85	100,000	1/1/84	100
1034-1053	1/1/85	100,000	1/1/85	100
1054-1063	1/1/91	50,000	1/1/86	100
784-873	1/1/97-99	450,000	1/1/86	102
766-783	1/1/97	90,000	7/1/86	102
1064-1073	1/1/91	50,000	1/1/87	100
706-765	1/1/96-97	300,000	7/1/87	101.5
1074-1083	1/1/91	50,000	1/1/88	100
1084-1093	1/1/91	50,000	1/1/89	100
1094-1113	1/1/91	100,000	7/1/89	100.5
401-705	1/1/90-96	1,525,000	7/1/89	100.5

B. This District hereby irrevocably calls for redemption the following numbered Outstanding Bonds on the following dates in accordance with the provisions of Resolution No. 123 authorizing the redemption of the Outstanding Bonds prior to their fixed maturities:

<u>Bond Nos. (inclusive)</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
894-913	1/1/85	100,000	1/1/78	100
914-933	1/1/85	100,000	1/1/79	100
934-953	1/1/85	100,000	1/1/80	100
954-973	1/1/85	100,000	1/1/81	100
974-993	1/1/85	100,000	1/1/82	100
994-1013	1/1/85	100,000	1/1/83	100
1014-1033	1/1/85	100,000	1/1/84	100
1034-1053	1/1/85	100,000	1/1/85	100
1054-1063	1/1/91	50,000	1/1/86	100
784-873	1/1/97-99	450,000	1/1/86	102
766-783	1/1/97	90,000	7/1/86	102
1064-1073	1/1/91	50,000	1/1/87	100
706-765	1/1/96-97	300,000	7/1/87	101.5
1074-1083	1/1/91	50,000	1/1/88	100
1084-1093	1/1/91	50,000	1/1/89	100
1094-1113	1/1/91	100,000	7/1/89	100.5
401-705	1/1/90-96	1,525,000	7/1/89	100.5

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(c)(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 123 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. 123 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 123 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 123 Bond Fund will be sufficient to provide money to pay, redeem and retire all of the Outstanding Bonds, that nor 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. There has heretofore been created in the office of the Treasurer of Whatcom County a Whatcom County W.D. No. 8 Sewer Construction Fund. All proceeds of the improvement portion of the bonds (exclusive of accrued interest, which shall be deposited in the 252 Bond Fund) shall be deposited in the Sewer Construction Fund and used for the purpose of paying for the cost of the Project and of the issuance of the Bonds.

Section 19. 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(c) of the Internal Revenue Code of 1954 as amended and as interpreted by applicable proposed or permanent regulations.

Section 20. The action of the Board in accepting the written offer of Seattle-Northwest Securities Corporation, dated December 8, 1977, 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.

Until the definitive Refunding Bonds are prepared, the District may, if deemed necessary by the Secretary of the Board, utilize a temporary Refunding Bond which shall be typewritten, and which shall be delivered to the Refunding Bond purchaser or purchasers in lieu of definitive Refunding Bonds, but subject to the same provisions, limitations and conditions as the definitive Refunding

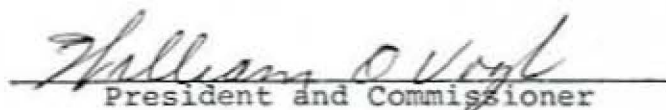
Bonds. The temporary Refunding Bond shall be dated as of the date of the Refunding Bonds, shall be in the denomination of \$5,730,000, shall be numbered T-1, shall be substantially of the tenor of such definitive Refunding Bonds, but with such omissions, insertions and variations as may be appropriate to temporary bonds, shall be issued without coupons, and shall be signed by the President and Secretary of the Board of Commissioners.

Section 21. 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.

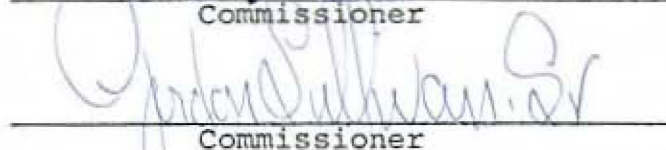
Section 22. This resolution may subsequently be amended by resolution of the Board of Commissioners in any respect not prejudicial to the rights of the holders of outstanding Bonds or Outstanding Bonds.

ADOPTED by the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington, at a regular meeting thereof held this 22 day of December, 1977.

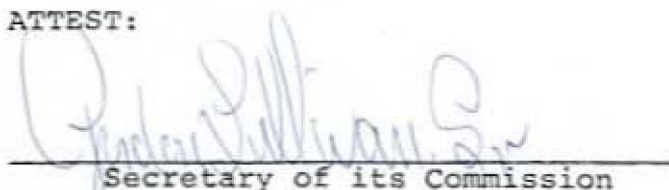
WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON


President and Commissioner


Commissioner


Commissioner

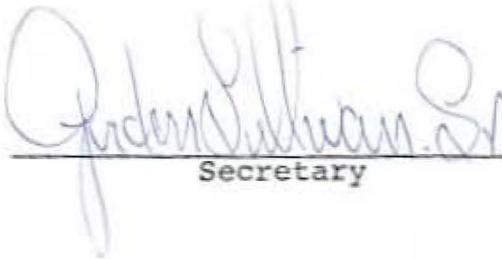
ATTEST:


Secretary of its Commission

SCHEDULE A-1
ACQUIRED OBLIGATIONS

SECURITY DESCRIPTION	PAR AMOUNT	COUPON	MATURITY DATE
BE	65,000	0.000000	7/01/78
BE	236,000	0.000000	1/01/79
BE	56,000	0.000000	7/01/79
BE	227,000	0.000000	1/01/80
BE	49,000	0.000000	7/01/80
BE	223,000	0.000000	1/01/81
BE	40,000	0.000000	7/01/81
BE	215,000	0.000000	1/01/82
BE	32,000	0.000000	7/01/82
BE	212,000	4.900000	1/01/83
BE	28,000	7.230000	7/01/83
BE	209,000	7.260000	1/01/84
BE	28,000	7.280000	7/01/84
BE	214,000	7.310000	1/01/85
BE	28,000	7.330000	7/01/85
BE	673,000	7.360000	1/01/86
BE	118,000	7.380000	7/01/86
BE	218,000	7.400000	1/01/87
BE	330,000	7.410000	7/01/87
BE	206,000	7.420000	1/01/88
BE	25,000	7.430000	7/01/88
BE	215,000	7.440000	1/01/89
BE	1,084,000	7.450000	7/01/89
NOTES	10,000	7.625000	11/15/87
FNDA	550,000	9.000000	4/23/89
BEGINNING CASH BALANCE			\$422,186.00

I, GORDON SULLIVAN, SR., Secretary of the Board of Commissioners
of Whatcom County Water District No. 8, Whatcom County, Washington,
DO HEREBY CERTIFY that the foregoing is a true and correct copy
of Resolution No. 252 of said Board of Commissioners duly adopted
at a regular meeting thereof held on the _____ day of December,
1977.



Secretary