

RESOLUTION NO. 204

A RESOLUTION of the Board of Water Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington, providing for the issuance of water revenue bonds of the district in the total principal sum of \$1,560,000 for the purpose of providing funds to pay the cost of carrying out part of the comprehensive plan for a system of water supply for the district; fixing the date, form, terms and maturities of said revenue bonds to be issued; providing and adopting certain covenants safeguarding the payment of the principal of and interest on such bonds; reserving the right in the district to issue revenue bonds on a parity therewith; and confirming the sale of such bonds.

WHEREAS, by amended Resolution No. 12, adopted July 17, 1969, the Board of Water Commissioners of Water District No. 8, Whatcom County, Washington (herein called the "District"), considered and adopted a comprehensive plan for water supply for the District, and further provided in said resolution that part of the cost of carrying out such plan should be paid out of the proceeds of water revenue bonds of the District; and

WHEREAS, said plan and the issuance of said bonds was ratified by the electors of the District at an election held September 16, 1969; and

WHEREAS, said comprehensive plan has been amended by Resolution No. 152, adopted May 6, 1976, Resolution No. 177, adopted October 14, 1976, and Resolution No. 203, adopted April 14, 1977, which resolutions authorized certain additions and betterments to the water supply system of the District; and

WHEREAS, it is now deemed necessary that the District issue and sell water revenue bonds in the amount of \$1,560,000 to pay part of the cost of such additions and betterments; and

WHEREAS, this Board of Commissioners has accepted the written offer of Seattle-Northwest Securities Corporation, Seattle, Washington, to purchase said \$1,560,000 principal amount of water revenue bonds authorized herein, at the price set forth in such offer and at the interest rates and under the terms, maturities, conditions and covenants set forth herein;

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 terms shall have the meanings hereinafter set forth;

a. The word "District" means Whatcom County Water District No. 8, Whatcom County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

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

c. The word "System" means the existing water supply and distribution 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 sanitary sewage collection and disposal system of the District in the event the District operates a mutual water and sewer system.

d. The word "Bonds" means the \$1,560,000 principal amount of water revenue bonds issued pursuant to and for the purposes provided in this resolution.

e. The words "Outstanding Refunded Bonds" mean the outstanding water revenue bonds of the District issued under dates of February 1, 1970 and July 1, 1972, full provision for the payment of which has irrevocably been made.

f. The word "Assessments" means assessments levied in such utility local improvement districts of the District as may be indicated by the context, and shall include installments thereof and any interest and penalties due or which may become due thereon.

g. The words "Operating and Maintenance Expenses" mean 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.

h. The words "1974 Bond Fund" or "Bond Fund" mean the Whatcom County Water District No. 8, 1974 Revenue Bond Fund created by Section 7 of Resolution No. 74 of the District, adopted January 3, 1974.

i. The words "Parity Bonds" mean any and all revenue bonds of the District the payment of which constitutes a lien and charge upon the Gross Revenue of the System and upon all utility local improvement district assessments and installments thereof plus interest and any penalties thereon required to be paid into the 1974 Bond Fund equal in rank with the lien and charge upon said revenue and assessments for the payments required to pay or secure the payment of the Bonds. The term "Parity Bonds" includes the outstanding water revenue bonds of the District dated January 1, 1974, the Bonds and any additional or refunding revenue bonds hereafter issued on a parity herewith.

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 moneys in the 1974 Bond Fund and the Reserve Account therein.

Section 2. The Board hereby finds and determines as required by Section 13 of Resolution No. 74, authorizing the issuance of the outstanding Parity Bonds (hereinafter referred to as the "Parity Conditions") as follows:

First, the Bonds are being issued for the purpose of acquiring, constructing and installing additions and improvements to and extensions of the System.

Second, at the time of the adoption of this Resolution and at the time of the delivery of the Bonds there is not nor will there be any deficiency in the 1974 Bond Fund or the Reserve Account therein.

Third, this Resolution requires that all Assessments levied in all utility local improvement districts in which improvements will be constructed from the proceeds of sale of the Bonds will be paid directly into the 1974 Bond Fund.

Fourth, this Resolution provides for the payment of the principal of and interest on the Bonds out of the 1974 Bond Fund and provides that the District will pay into the Reserve Account created in the 1974 Bond Fund approximately equal annual amounts which, together with the balance now in the Reserve Account, will equal within five years after the date of issuance of the Bonds, the average annual amount required to pay the principal of and interest on all outstanding Parity Bonds.

Fifth, prior to the delivery of the Bonds the District will have on file a certificate from an independent licensed professional engineer stating that the net revenue of the District which will be available for the payment of the principal of and interest on all Parity Bonds in each year after the year in which the improvements being financed out of the proceeds of sale of the Bonds are to be completed, will equal the Coverage Requirement (as defined in Resolution No. 74).

The Parity Conditions having been complied with or assured, the payments required herein to be made out of the Maintenance Fund into the 1974 Revenue Bond Fund and the Reserve Account therein to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien and charge upon the money in the

Maintenance Fund equal in rank with the lien and charge thereon for the payments required to be made into the 1974 Revenue Bond Fund and the Reserve Account to pay and secure the payment of the principal of and interest on the outstanding Parity Bonds.

The District further covenants and agrees that the Bonds will not be issued and delivered to the purchasers thereof as bonds on a parity with the outstanding Parity Bonds until the above-described certificate has been filed with the District.

Section 3. For the purpose of paying the cost of the improvements specified in Resolutions Nos. 152, 177 and 203, the District shall issue the Bonds. The Bonds shall be dated April 1, 1977, shall be in the denomination of \$5,000 each, shall bear interest at the following interest rates payable January 1, 1978 and semiannually thereafter on the first days of January and July of each year from date of issue and shall be numbered and mature January 1 as follows:

<u>Bond Nos.</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
1-10	1979	\$ 50,000	5.00
11-20	1980	50,000	5.00
21-30	1981	50,000	5.00
31-40	1982	50,000	5.20
41-50	1983	50,000	5.40
51-60	1984	50,000	5.60
61-70	1985	50,000	5.80
71-80	1986	50,000	6.00
81-90	1987	50,000	6.00
91-100	1988	50,000	6.00
101-200	1989	500,000	6.00
201-312	1992	560,000	6.50

The Bonds shall continue to bear interest at their respective coupon interest rates if the principal thereof be not paid at maturity. Both principal 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, solely from the 1974 Bond Fund.

Section 4. The District does not reserve the right to redeem Bonds Nos. 1-100 maturing in the years 1979-1988, inclusive, prior

to their stated maturity. The District reserves the right to redeem Bonds Nos. 101-200, inclusive, maturing on January 1, 1989, in whole, or in part in inverse numerical order within such maturity, on January 1, 1978, or on any interest payment date thereafter at the following times and at the following prices expressed as a percentage of par, plus accrued interest to the date of redemption:

January 1, 1978 through January 1, 1988, out of the proceeds of refunding bonds, at	100.25
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July 1, 1988, out of the proceeds of refunding bonds, at	100
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January 1, 1978 through July 1, 1988, out of sources other than the proceeds of refunding bonds, at	100
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The District reserves the right to redeem Bonds Nos. 201-312, maturing January 1, 1992, in whole, or in part in inverse numerical order within such maturity, only if Bonds Nos. 101-200 have previously been or are at the same time retired, at the following times and at the following prices expressed as a percentage of par, 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	101.50
January 1, 1988 and July 1, 1988 at	101
January 1, 1989 and July 1, 1989 at	100.50
January 1, 1990 and July 1, 1990 at	100.25
January 1, 1991 and 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, or, if there be none, in a newspaper of general circulation within Whatcom County, not more than forty nor less than thirty days prior to said redemption date, and a copy of such notice shall be mailed within the same period to Seattle-Northwest Securities Corporation at the main place of business of such firm or to the successor in business of such firm, if any, at its main place of business. In addition, such redemption notice shall also be mailed to Moody's Investors Service, Inc. and Standard & Poor's Corporation at their main offices in the City of New York,

New York, or to the business successor, if any, of said firms at their main offices. Interest on any bonds called for redemption shall cease on such redemption date unless the same shall not be redeemed upon presentation made pursuant to such call.

The District further reserves the right, whenever it has any surplus money in the Maintenance Fund of the District over and above all other moneys required by this resolution to be paid into the 1974 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 5. 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

WATER REVENUE BOND, 1977

KNOW ALL MEN BY THESE PRESENTS:

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 January 1, 1978, and semiannually thereafter on the first days of January and July of each year from date of issue as evidenced by an 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 of and interest on this bond 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 and New York, New York, solely out of

the special fund of the District known as the "1974 Revenue Bond Fund" created by Resolution No. 74 of the District. The bonds of this issue are not general obligations of the District.

The District does not reserve the right to redeem Bonds Nos. 1-100 maturing in the years 1979-1988, inclusive, prior to their stated maturity. The District reserves the right to redeem Bonds Nos. 101-200, inclusive, maturing on January 1, 1989, in whole, or in part in inverse numerical order within such maturity, on January 1, 1978, or on any interest payment date thereafter at the following times and at the following prices expressed as a percentage of par, plus accrued interest to the date of redemption:

January 1, 1978 through January 1, 1988, out of the proceeds of refunding bonds, at	100.25
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July 1, 1988, out of the proceeds of refunding bonds, at	100
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January 1, 1978 through July 1, 1988, out of sources other than the proceeds of refunding bonds, at	100
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The District reserves the right to redeem Bonds Nos. 201-312, maturing January 1, 1992, in whole, or in part in inverse numerical order within such maturity, only if Bonds Nos. 101-200 have previously been or are at the same time retired, at the following times and at the following prices expressed as a percentage of par, 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	101.50
January 1, 1988 and July 1, 1988 at	101
January 1, 1989 and July 1, 1989 at	100.50
January 1, 1990 and July 1, 1990 at	100.25
January 1, 1991 and any interest payment date thereafter, at	100

Notice of redemption shall be given by one publication thereof in the official newspaper of Whatcom County, or, if there be none, in a newspaper of general circulation within Whatcom County, not more than forty nor less than thirty days prior to said redemption date, and a copy of such notice shall be mailed within the same period to Seattle-Northwest Securities Corporation at its main place of business or to the successor in business of said firm, if any, at its main place of business. In addition, such redemption notice shall also be mailed to Moody's Investors Service, Inc. and Standard & Poor's Corporation at their main offices in the City of New York, New York, or to the business successors, if any, of said firms at their main offices. Interest on any bonds called for redemption shall cease on such redemption date unless the same shall not be redeemed upon presentation made pursuant to such call.

This bond is one of an issue of three hundred twelve bonds of like amount, date and tenor, except as to number, rate of interest, and maturity date, aggregating \$1,560,000 in principal amount, issued pursuant to laws of the State of Washington, Resolution No. ____ of the District adopted

April __, 1977, (herein called 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 carry out part of the District's comprehensive plan. The principal of and interest on said bonds are payable only out of the revenue of the System of the District (as said System is defined in the Bond Resolution) and all additions and betterments thereto, and out of all utility local improvement district assessments and installments thereof plus interest and any penalties thereon required by law and resolutions of the Board of Commissioners of the District to be paid into the 1974 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 Revenue Bond Fund and the Reserve Account created therein all utility local improvement district assessments or installments thereof plus interest and penalties thereon required by law and resolutions of the District to be paid therein when collected. The District further pledges that all the revenue of its System and all additions and betterments thereto will be paid into its Maintenance Fund as collected and that it will set aside out of the Maintenance Fund and pay into said Revenue Bond Fund and the Reserve Account created therein, the various amounts required by the Bond Resolution to be paid into and maintained in said Revenue Bond Fund and Reserve Account, all within the times provided by the Bond Resolution.

Said amounts so pledged to be paid out of said revenue are hereby declared to be a prior lien and charge upon such revenue superior to all other liens and charges of any kind or nature except necessary expenses of operation and maintenance of the System and the lien and charge of the amounts required to pay and secure the payment of the outstanding refunded water revenue bonds of the District dated February 1, 1970 and July 1, 1972 (provision for the full payment of which has irrevocably been made) and equal in rank to the lien and charge of the amounts required to pay and secure the payment of the outstanding parity bonds of the District dated January 1, 1974 and any revenue bonds of the District which may later be issued 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 necessary expenses of operation and maintenance, but before depreciation.

The pledge of revenue and other obligations of the District under the Bond Resolution may be discharged prior to the maturity or redemption of the bonds of this issue by the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

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 April, 1977.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President

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 and 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 "1974 Revenue Bond Fund," said amount being the interest due that date on its Water Revenue Bond dated April 1, 1977 and numbered _____.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President

ATTEST:

Secretary

Section 6. The Bonds shall be signed on behalf of the District with the facsimile signature of the President of the

Board, shall be attested by the Secretary of the 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 7. A special fund of the District known as the "Maintenance Fund" has heretofore been created in the office of the Treasurer of Whatcom County, Washington. All of the Gross Revenue of the System shall be credited in said Maintenance Fund as collected; provided, however, that when said revenue is turned over to and deposited with the Treasurer of Whatcom County by the District, the Board may designate the amounts of such moneys to be deposited in the 1974 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.

Any surplus money which the District may have on hand in the Maintenance Fund after making all required payments into the 1974 Bond Fund and Reserve Account, or into any other funds or accounts created to pay or secure the payment of other revenue bonds of the District now or hereafter issued, may be used by the District to redeem and retire outstanding bonds of the District, and to the extent then permitted by law to make necessary improvements, additions and repairs to and extension and replacements of the System.

Section 8. There has heretofore been created in the office of the Treasurer of Whatcom County a special fund of the District known as the "1974 Revenue Bond Fund" (herein called the "1974 Bond Fund"), which Fund shall be drawn upon for the sole purpose of paying the principal of and interest on Parity Bonds as the same shall become due.

The District hereby obligates and binds itself to set aside and pay into the 1974 Bond Fund or the Reserve Account therein as collected, all Assessments levied in Utility Local Improvement District Nos. 1, 5 and 6 of the District and all Assessments hereafter levied in utility local improvement districts created to secure the payment of the principal of and interest on Parity Bonds.

The District hereby further obligates and binds itself to set aside and pay into the 1974 Bond Fund out of the Gross Revenue of the System and the money on hand in the Maintenance Fund, those amounts which, with any money on hand in the 1974 Bond Fund, are necessary to pay the principal of and interest on all Parity Bonds outstanding as the same respectively become due and payable.

Payments on account of the Bonds shall be made out of the Gross Revenue of the System and the money in the Maintenance Fund into the 1974 Bond Fund on or before the twentieth day of each month in the following amounts:

(1) Beginning with the month of May, 1977, and continuing through the month of December, 1977, one-eighth of the interest on the Bonds to become due and payable on January 1, 1978.

(2) 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, with Assessments and other moneys paid into and on hand in the 1974 Bond Fund, 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, 1978, and continuing through the month of December, 1988, one-twelfth of the amount which, with Assessments and other moneys paid into and on hand in the 1974 Bond Fund, will equal the principal amount to become due and payable on the Bonds outstanding on the next principal payment date.

In the event that money and/or direct obligations of the United States of America and/or "Government Obligations" (as defined in RCW 39.53 as now or hereafter amended) maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds in accordance with their terms, are irrevocably set aside in a special trust account to effect such redemption or retirement, then no further payments need be made into the 1974 Bond Fund for the payment of the principal of and interest on the 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 funds so set aside and pledged and the Bond and appurtenant coupons shall be deemed not to be outstanding hereunder.

Said amounts so pledged to be paid out of the Maintenance Fund and Gross Revenue of the System into the 1974 Bond Fund and the Reserve Account created therein are hereby declared to be a lien and charge upon the Gross Revenue of the System and the money in such Maintenance Fund superior to all other charges of any kind or nature except necessary expenses of maintenance and operation of the System and the amounts required to pay and secure the principal of and interest on the Outstanding Refunded Bonds, and are hereby declared to be of equal lien to the lien and charge upon said Gross Revenue and the money in said Fund for the payment of the principal of and interest on the outstanding and any future Parity Bonds. No additional revenue bonds shall be issued on a parity of lien with the Outstanding Refunded Bonds.

Section 9. A Reserve Account (herein called the "Reserve Account") has heretofore been created in the 1974 Bond Fund. The District hereby agrees that it will set aside and pay into the Reserve Account out of the moneys in the Maintenance Fund, or out of Assessments, approximately equal annual amounts sufficient (together with such moneys as are deposited in said account out

of the proceeds of sale of the Bonds) to establish prior to April 1, 1982, and thereafter to maintain, a balance in said Account at least equal to the average annual amount required thereafter to pay the principal of and interest on all then outstanding Parity Bonds.

In the event there shall be a deficiency in the 1974 Bond Fund to meet maturing installments of either principal of or interest on any Parity Bonds, 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 the Gross Revenue of the System and from Assessments collected in any utility local improvement district created to secure the payment of Parity Bonds which shall be first available after making required payments into the 1974 Bond Fund.

All moneys in the Reserve Account may be kept in cash or may be invested in direct obligations of the United States Government, or obligations guaranteed by an agency of the United States Government, maturing not later than the last maturity of any Parity Bonds then outstanding. Interest earned on any such investments shall be deposited in and become a part of the Bond Fund.

The Board of Commissioners of the District hereby declares in fixing the amounts to be paid into the 1974 Bond Fund and the Reserve Account therein that it has exercised due regard for the cost of maintenance and operation of the System and has not obligated the District to set aside and pay into said Fund and Account a greater amount of Revenue of the System than in its judgment will be available over and above such cost of maintenance and operation.

Section 10. There has heretofore been created a special fund of the District known as the "1977 Bond Anticipation Warrant

Fund" and the District has heretofore issued and has outstanding Bond Anticipation Warrants in the aggregate principal amount of \$455,000. Proceeds of the Bonds equal to the sum of \$455,000 and accrued interest on the Bond Anticipation Warrants to the date of delivery of the Bonds shall be deposited in the 1977 Bond Anticipation Warrant Fund for the purpose of paying the principal of and interest on said Bond Anticipation Warrants.

Section 11. There has heretofore been created a special fund of the District known as "Whatcom County Water District Water Construction Fund" (hereinafter called the "Construction Fund"), into which shall be paid the balance of the proceeds of the Bonds after the deposit required by Section 10 hereof (except for interest accrued on the Bonds, which shall be paid into the 1974 Bond Fund) and any and all other moneys which may be necessary to pay the cost of the improvements for which the Bonds are issued. The Construction Fund shall be drawn upon for the sole purpose of paying the cost of carrying out the portions of the comprehensive plan of the District and for paying all expenses incidental to the issuance of the Bonds.

Any moneys remaining in the Construction Fund after all of such costs have been paid may be used to purchase any of the Bonds outstanding as aprovided in this resolution, or shall be transferred to the 1974 Bond Fund or the Reserve Account therein for the uses and purposes herein provided.

Section 12. 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 1974 Bond Fund all outstanding Assessments levied in Utility Local Improvement Districts 1, 5 and 6 of the District, and in any utility local improvement district hereafter created to secure the payment of the principal of and interest on any Parity Bonds,

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 (excluding Assessments and 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 in which there are not outstanding Assessments pledged to secure any Parity Bonds except Assessments, if any, then in default, the term "Coverage Requirement" shall mean 1.25 times the amount required in such year to pay the principal of and interest on all outstanding Parity Bonds.

For any year in which there are outstanding Assessments pledged to secure Parity Bonds and not then in default, the term "Coverage Requirement" shall mean 1.30 times the amount computed by deducting from the total principal and interest required to be paid in each then remaining year on all outstanding Parity Bonds an amount (or amounts if more than one issue of Parity Bonds is outstanding) equal to the percentage of the debt service for each year on each such series or issue of outstanding Parity Bonds equal to the percentage arrived at by dividing the original total amount of the assessments specifically pledged to the 1974 Bond Fund in the resolution authorizing such series or issue by the original total principal amount of such series or issue.

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 of the System unless provision is made for paying into the 1974 Bond Fund of a sum sufficient to pay and retire all of the then outstanding bonds payable out of such Fund, nor will it sell or dispose of any part of the useful operating properties of the System unless provision is made for payment into the 1974 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 1974 Bond Fund (defined as the total amount of such bonds less the amount of cash and investments in such Fund and 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 1974 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 1974 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 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 Parity Bonds.

That it will at all times keep and arrange to keep in full force and effect policies of the 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 Parity Bonds.

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 determine all accounts that are delinquent and will take all necessary action to enforce payment of any such delinquencies including real property foreclosure actions against those property owners whose accounts are more than six months in default.

That it will, on or before June 1 of each calendar year 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 1974 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 September 1 of each calendar year.

Section 13. 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 additional Parity Bonds, except that it reserve the right,

First, to issue additional 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 by exchange or calling or purchasing and retiring at or prior to their maturity any outstanding revenue bonds of the District,

and to pledge and bind itself to make payments into the 1974 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 1974 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 1974 Bond Fund and the Reserve Account herein to pay and secure the payment of the principal of and interest on the Bonds, upon compliance with the following conditions.

A. That at the time of the issuance of such additional or refunding Parity Bonds there shall not be any deficiency in the 1974 Bond Fund or the Reserve Account therein.

B. That 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 1974 Bond Fund.

C. That 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 1974 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 1974 Bond Fund.

D. That 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 1974 Bond Fund. Each such resolution shall further provide that the District will pay into the Reserve Account created in the 1974 Bond Fund, out of the Assessments required to be paid into such Fund and, if necessary, out of the moneys 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 will equal within five years after the date of issuance of such Parity Bonds the average annual amount required thereafter to pay the principal of and interest on all then outstanding Parity Bonds.

E. That 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 District which will be available for the payment of the principal of and interest on any Parity Bonds then outstanding,

and the Parity Bonds to be issued, as all of the same shall become due, 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 District" as used in the subparagraph immediately above shall mean the Gross Revenue of the District 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. Such net revenue shall be determined as herein provided. The net revenue shall be determined from an audit of the Division of Municipal Corporations of the State Auditor's Office, if available, or from a financial statement prepared by independent accountants, or 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 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) a full year's revenue for any customers being served but who have not been receiving service for the full period of operation used as a basis for the certificate and (d) actual or reasonably anticipated changes in Operation and Maintenance Expenses subsequent to such twelve-month period, and (e) revenue derived from

other customers reasonably anticipated to be added to the System during the next three years, where service is available, provided that the number of new customers so anticipated shall not exceed the actual number of new customers obtained during the previous three year period.

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 and retire prior to their maturity any or all bonds payable out of the 1974 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 any calendar year thereafter than would have been required 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 Parity Bonds although the provisions of subsections A, C and D of this Section must still be complied with.

Section 14. 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 to be made therefor into the 1974 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 from 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 15. The action of the Board in accepting the written offer of Seattle-Northwest Securities Corporation, dated March 30, 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.

Section 16. 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 provisions, 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 17. 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.

Section 18. The action of the Board of Commissioners in adopting Resolution No. 175, adopted September 20, 1976, fixing the rate of interest to be borne by unpaid installments of assessments in Utility Local Improvement District No. 5 at 7.5% is hereby in all respects ratified and confirmed.

ADOPTED by the Board of Commissioners of Whatcom County
Water District No. 8, Whatcom County, Washington, at a regular
meeting thereof held this ~~24th~~ day of April, 1977.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By William Vogt
President and Commissioner

C. R. O'Connor
Commissioner
Gordon Sullivan Sr
Commissioner

ATTEST:

Gordon Sullivan Sr
Secretary of said Commission

The terms and conditions of this Resolution, and the obligations
of the Whatcom County Treasurer thereunder, are approved and
accepted.

_____, 1977.

HUGH CORY
WHATCOM COUNTY TREASURER