

RESOLUTION NO. 42

A RESOLUTION of the Board of Water Commissioners of Water District No. 8, Whatcom County, Washington, providing for the issuance of water revenue bonds of the district in the total principal sum of \$320,000 for the purpose of providing funds to pay the cost of carrying out parts 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 thereof.

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 the cost of carrying out such plan should be paid out of the proceeds of water revenue bonds of the District in the principal sum of not to exceed \$450,000; 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. 29, adopted October 4, 1971, and by Resolution No. 35, adopted February 17, 1972; and

WHEREAS, it is now deemed necessary that the District issue and sell the \$60,000 of such bonds authorized by Resolution No. 29 of the District and the \$260,000 of such bonds authorized by Resolution No. 35 of the District, and that said bonds be combined and sold in a single issue in the principal amount of \$320,000; and

WHEREAS, this Board of Commissioners has accepted the written offer of Seattle-Northwest Securities Corporation, Seattle,

Washington, to purchase said \$320,000 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. "District" shall mean 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. "Board" shall mean the Board of Commissioners of the District as the same shall be duly constituted from time to time.
- c. "System" shall mean 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. "Bonds" shall mean the \$320,000 principal amount of revenue bonds issued pursuant to and for the purposes provided in this resolution.
- e. Outstanding Bonds shall mean the outstanding water revenue bonds of the District issued under date of February 1, 1970, of which \$280,000 are still outstanding.
- f. "Assessments" shall mean 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. "Operating and Maintenance Expenses" shall 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. "Revenue Bond Fund" shall mean the Whatcom County Water District No. 8, 1970 Revenue Bond Fund created by Section 8 of Resolution No. 15 of the District, adopted March 5, 1970.

i. "Parity Bonds" shall mean 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 District and Assessments required to be paid into the Revenue Bond Fund equal in rank with the lien and charge upon such moneys in the Maintenance Fund of the District and upon the gross earnings and revenue of the District and Assessments required to be paid into the Revenue Bond Fund to pay and secure the payment of the principal of and interest on the Bonds.

Section 2. This Board hereby finds and determines, as required by Section 13 of Resolution No. 15 as follows:

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

Second, that at the time of the adoption of this resolution and at the time of the issuance and delivery of the

Bonds there is not nor will there be any deficiency in the Revenue Bond Fund or in the Reserve Account therein.

Third, that by Section 7 of this resolution the District has covenanted and provided that it will pay into and maintain in said Reserve Account the amounts required by Section 13D of Resolution No. 15 to be paid into and maintained in said Account for the purpose of securing the payment of the principal of and interest on the Bonds.

Fourth, that at the time of the issuance and delivery of the Bonds, the District will have on file a certificate from an independent licensed professional engineer complying with the requirements of Section 13E of Resolution No. 15.

The conditions contained in Section 13 of Resolution No. 15 having been complied with or assured, the payments required herein to be made out of the Maintenance Fund into the Revenue Bond Fund and 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 Revenue Bond Fund and Reserve Account to pay and secure the payment of the principal of and interest on the Outstanding 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 Bonds until the above-described certificate has been filed with the District.

Section 3. For the purpose of providing part of the funds required to carry out the portions of the comprehensive plan of the District set forth in Resolution No. 29, and Resolution



No. 35, the District shall issue the Bonds in the aggregate principal amount of \$320,000.

Section 4. The Bonds shall be dated July 1, 1972, shall be in the denomination of \$5,000 each, shall bear interest at the following interest rates payable semiannually on the first days of January and July of each year from date of issue and shall be numbered and mature July 1 as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-2	1973	\$10,000	6.00%
3-4	1974	10,000	6.00%
5-6	1975	10,000	6.00%
7-9	1976	15,000	6.00%
10-12	1977	15,000	6.00%
13-15	1978	15,000	6.00%
16-18	1979	15,000	6.25%
19-22	1980	20,000	6.25%
23-26	1981	20,000	6.25%
27-28	1982	10,000	6.25%
29-30	1983	10,000	6.50%
31-32	1984	10,000	6.50%
33-34	1985	10,000	6.50%
35-36	1986	10,000	6.50%
37-38	1987	10,000	6.50%
39-40	1988	10,000	6.50%
41-42	1989	10,000	6.50%
43-45	1990	15,000	6.75%
46-47	1991	10,000	6.75%
48-50	1992	15,000	6.75%
51-53	1993	15,000	6.75%
54-55	1994	10,000	6.75%
56-58	1995	15,000	6.75%
59-61	1996	15,000	6.75%
62-64	1997	15,000	6.75%

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, and shall be obligations only of the Revenue Bond Fund.

Section 5. The District hereby reserves the right to redeem the outstanding Bonds of this issue maturing in 1996 and 1997, on any interest payment date after January 1, 1974 and prior to July 1, 1984,

in whole, or in part in inverse numerical order, at a redemption price of 102% of the principal amount redeemed, plus accrued interest to the date of redemption.

The District further reserves the right to redeem the outstanding Bonds of this issue in whole, or in part in inverse numerical order, on July 1, 1984, or on any interest payment date thereafter, at par plus accrued interest to the date of redemption.

Notice of any such intended redemption shall be given by one publication thereof in the official newspaper of Whatcom County, Washington not more than forty nor less than thirty 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. Interest on any Bond so called for redemption shall cease on such redemption date unless the same is not paid in full upon presentation made pursuant to such call.

The District further reserves the right, whenever it has any surplus money in its Maintenance Fund over and above all other moneys required by this resolution to be paid into the Revenue Bond Fund and the Reserve Account created therein, to use such money at any time to purchase any of the Bonds in the open market for retirement, as long as the same may be purchased at a price not more than par plus accrued interest.

Section 6. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA  
NO. \_\_\_\_\_ \$5,000

STATE OF WASHINGTON  
WATER DISTRICT NO. 8  
WHATCOM COUNTY, WASHINGTON  
WATER REVENUE BOND, 1972



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 July, 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 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, solely out of the special fund of the District known as the "1970 Revenue Bond Fund" created by Resolution No. 15 of the District.

The District has reserved the right to redeem the outstanding bonds of this issue maturing in 1996 and 1997, on any interest payment date after January 1, 1974 and prior to July 1, 1984, in whole, or in part, in inverse numerical order, at a redemption price of 102% of the principal amount redeemed, plus accrued interest to the date of redemption.

The District has further reserved the right to redeem the outstanding bonds of this issue in whole, or in part in inverse numerical order, on July 1, 1984, or on any interest payment date thereafter, at par plus accrued interest to the date of redemption.

Notice of any such intended redemption shall be given by one publication thereof in the official newspaper of Whatcom

County, Washington, not more than forty nor less than thirty days prior to said redemption date, and by mailing a like notice at the same time to Seattle-Northwest Securities Corporation, at its main office in Seattle, Washington, or to the successor in business of said corporation, if any, at its main office.

This bond is one of an issue of sixty-four bonds of like amount, date and tenor except as to number, rate of interest, and maturity date, aggregating \$320,000 in principal amount, and is issued pursuant to the laws of the State of Washington, Resolution No. \_\_\_\_\_ (hereinafter called the "Bond Resolution") and other resolutions of the Board of Commissioners of the District duly and regularly adopted to provide funds to carry out part of the District's comprehensive plan. The Bonds of this issue are payable, both principal and interest, solely out of the earnings and revenue of the District 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 the 1970 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 1970 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 District No. 1 of the District,



and further pledges and binds itself to set aside out of the gross earnings and revenue of the District, and to pay into said 1970 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 the lien and charge thereon to pay and secure the payment of the principal of and interest on the outstanding water revenue bonds of the District issued under date of February 1, 1970, and to any charges that may be made thereon to pay and secure the payment of the principal of and interest on any revenue bonds which the District may issue later on a parity with the bonds of this issue.

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

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and

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

IN WITNESS WHEREOF, Whatcom County Water District No. 8, Whatcom County, Washington, has caused this bond to be signed by the facsimile signature of the President of its Board of Commissioners, to be attested by the Secretary of said Board, the corporate seal of the District to be impressed hereon, and the interest coupons attached hereto to be signed with the facsimile signatures of said officials, this first day of July, 1972.

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, the amount shown hereon in lawful money of the United States of America out of the special fund of the District known as the "1970 Revenue Bond Fund", said amount being the semiannual interest due that date on its Water Revenue Bond dated July 1, 1972 and numbered



\_\_\_\_\_  
WHATCOM COUNTY WATER DISTRICT NO. 8  
WHATCOM COUNTY, WASHINGTON

by \_\_\_\_\_  
President of its Board of  
Commissioners

ATTEST:

\_\_\_\_\_  
Secretary

Section 7. 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 8. 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 deposited in said Maintenance Fund as collected; provided, however, that when said revenue is turned over and deposited with the Treasurer of Whatcom County by the District, the Board may designate the amounts of such moneys to be deposited in or credited to any other funds or accounts of the District heretofore or hereafter created. All Operating and Maintenance Expenses to be borne by the District shall be paid out of the Maintenance Fund.

Section 9. The Revenue Bond Fund has heretofore been created for the purpose of paying the principal of and interest and premium, if any, on the Outstanding Bonds, the Bonds and any bonds issued on a parity therewith.

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 Revenue Bond Fund, out of the gross revenue of the System and the money in the Maintenance Fund, and out of any other moneys legally available therefor, those amounts which, with any money on hand in such 1970 Revenue 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 July, 1972, 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 July, 1972, and continuing for as long as any of the Bonds are outstanding and unpaid, one-twelfth of the amount which, together with the money on hand in such Fund and available for this purpose, will equal the principal amount of such Bonds to become due and payable on the next principal payment date.

In the event that money and/or direct obligations of the United States of America maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any Bond or Bonds in accordance with their terms are irrevocably set aside in a special account in the Revenue Bond Fund to effect such redemption and retirement, then no further payments need be made into the Revenue Bond Fund for the payment of the principal of and interest on such Bond or Bonds and the holders of the Bond or Bonds and the coupons appertaining thereto



shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive funds so set aside and pledged, and the Bonds and such coupons shall be deemed not to be outstanding hereunder or under any resolution authorizing the issuance of Parity Bonds.

The amounts herein pledged to be paid out of the money in the Maintenance Fund and gross revenue of the District into the Revenue Bond Fund and the Reserve Account created therein are hereby declared to be a lien and charge upon the money in the Maintenance Fund and such gross revenue superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and equal in rank to the lien and charge thereon to pay and secure the payment of the principal of and interest on the Outstanding Bonds, and to any charges which may be made hereafter upon said money and revenue for the payment of the principal of and interest on any Parity Bonds.

All Assessments collected heretofore or hereafter in Utility Local Improvement District No. 1 of the District shall be paid into the Revenue Bond Fund, or into the Reserve Account as provided in Section 10 hereof.

Section 10. A Reserve Account has heretofore been created in the Revenue 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 monthly amounts which, together with the balance in such 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 bonds payable out of the Revenue Bond Fund.

All Assessments, as received, over and above the amounts required to make the payments into the Revenue Bond Fund set forth in Section 9 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 monthly payments required in the preceeding paragraph.

The District futher 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. Provided, however, that the moneys in the Reserve Account may be withdrawn to pay the principal of and interest and premiums, if any, on all the outstanding bonds of any single issue or series of bonds payable out of the Revenue Bond Fund or may be transferred to any reserve account created to secure the payment of bonds issued to refund bonds payable out of the Revenue Bond Fund so 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 Revenue Bond Fund.

In the event the money in the Revenue 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, any collections of Assessments required by law and resolutions of the District to be paid into the



Revenue Bond Fund and/or 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 Revenue Bond Fund or Reserve Account may be kept in cash or invested in any investments now or hereafter permitted by law, and the earnings on such investments and any profit realized on the sale thereof shall be deposited in the Reserve Account until such time as the amount of money therein shall be equal to the amount required to be therein, and thereafter such earnings and profits shall become a part of the Revenue Bond Fund.

Section 11. The Board hereby declares that in fixing the amounts to be paid into the Revenue Bond Fund and Reserve Account 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 12. There has heretofore been created a special fund of the District known as "Whatcom County Water District No. 8 Construction Fund-70" (hereinafter called the "Construction Fund"), into which shall be paid the proceeds of the Bonds (except for accrued interest, which shall be paid into the Revenue 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 set forth in Resolution No. 29 and in Resolution No. 35, 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 repurchase any of the Bonds outstanding as provided in this Resolution, or shall be transferred to the Revenue Bond Fund or the Reserve Account therein for the uses and purposes herein provided.

Section 13. 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 Revenue Bond Fund all outstanding Assessments levied in Utility Local Improvement District No. 1 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 Revenue 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 (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 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 Bonds, Outstanding Bonds and Parity Bonds.

For any year in which there are outstanding Assessments 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 Bonds, Outstanding Bonds and Parity Bonds an amount equal to the percentage of the debt service for each year on each such series or issue of outstanding bonds equal to the percentage arrived at by dividing the original total amount of the assessments specifically pledged to the Revenue 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 Revenue 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 Revenue 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 Revenue 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 Revenue 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 of disposition.

All such sums of moneys so paid into the Revenue 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 Revenue 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 Revenue 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 1973, 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 commencing with the year 1973, 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 Revenue 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 such calendar year.

Section 14. The District hereby further covenants and agrees with the owner and holder of each of the Bonds for as long as any of the same remain outstanding that it will not issue any Parity Bonds, except that it reserves the right,

First, to issue 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 Revenue 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 Revenue 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 Revenue 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 Revenue 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 Revenue 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 Revenue 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 Revenue 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 Revenue Bond Fund. That each such resolution shall further provide that the District will pay into the Reserve Account created in the Revenue Bond Fund, out of the Assessments required to be paid into such Fund and, if necessary, out of 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 to pay the principal of and interest on all outstanding bonds payable out of the Revenue Bond Fund, including such additional or refunding Parity Bonds but excluding any bonds being refunded. 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. 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 the Outstanding Bonds, the Bonds, 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 and receipts of the District (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 coupon warrants that may have a lien on the gross revenue of the System for such annual debt service junior and inferior to the lien of 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.

F. In the event that any refunding Parity Bonds provided for in this Section 13 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 Revenue 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 13 need not be obtained to permit such refunding Parity Bonds to be issued on a parity with any Outstanding Bonds, Bonds and/or Parity Bonds then outstanding, although the provisions of subsections A, C and D of this Section 13 must still be complied with.

Section 15. 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 Revenue 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 16. The action of the Board in accepting the written offer of Seattle-Northwest Securities Corporation, dated \_\_\_\_\_, 1972, 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 17. The moneys derived from the sale of the Bonds shall be deposited as follows:

A. Any accrued interest received at the time of the sale shall be paid into the Revenue Bond Fund.

B. The net proceeds of the sale of the Bonds (exclusive of such accrued interest and capitalized interest as set forth below) shall be paid into the Construction Fund of the District.

C. The sum of \$10,268.75 out of the proceeds of sale of the Bonds shall be paid into the Revenue Bond Fund as and for capitalized interest during the period of construction.

ADOPTED by the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington, at a special meeting thereof held this \_\_\_\_ day of \_\_\_\_\_, 1972.



WHATCOM COUNTY WATER DISTRICT NO. 8  
WHATCOM COUNTY, WASHINGTON

*Hallam Vogt*  
President and Commissioner

*Robert J. Sandgren*  
Commissioner

*Carde J. K.*  
Commissioner

ATTEST:

*Robert J. Sandgren*  
Secretary of said Commission