

RESOLUTION NO. 74

A RESOLUTION of the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington providing for the issuance of water revenue and refunding bonds of the District in the total principal sum of \$615,000 for the purpose of providing funds necessary to refund certain of the outstanding water revenue bonds of the District; fixing the date, form, terms, covenants and maturities of said water revenue and refunding bonds, and confirming the sale of said bonds to Seattle-Northwest Securities Corporation.

WHEREAS, the following series of water revenue bonds of the District have been duly authorized and issued payable out of the "1970 Revenue Bond Fund" created by Resolution No. 15 of the District and are outstanding:

<u>Issue</u>	<u>Date</u>	<u>Amount of Original Issue</u>	<u>Amount Out- standing January 1, 1974</u>
Water Revenue Bonds, 1970	February 1, 1970	\$280,000	\$290,000
Water Revenue Bonds, 1972	July 1, 1972	\$320,000	\$310,000

WHEREAS, it now appears that the District can refund the \$590,000 of outstanding water revenue bonds of the District issued under dates of February 1, 1970 and July 1, 1972 (the "Outstanding Bonds") by the issuance of bonds bearing a rate of interest sufficiently lower than the rate borne by the Outstanding Bonds to effect a substantial 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 by the issuance of its revenue bonds; and

WHEREAS, the Board of Commissioners has heretofore determined to accept the written offer of Seattle-Northwest Securities Corporation dated December 6, 1973 to purchase such 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 \$615,000 of water revenue and refunding bonds issued pursuant to and for the purposes provided in this resolution.

c) The words "Outstanding Bonds" mean the outstanding \$590,000 of water revenue bonds of the District issued under dates of February 1, 1970 (the "1970 Bonds") and July 1, 1972 (the "1972 Bonds") pursuant to Resolutions 15 and 42, respectively, of the District.

d) The words "1970 Bond Fund" mean the 1970 Revenue Bond Fund created by Resolution No. 15, adopted March 5, 1970.

e) The words "1974 Bond Fund" or "Bond Fund" mean the 1974 Revenue Bond Fund of the District created herein.

f) 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" thus includes Bonds and any additional or refunding revenue bonds hereafter issued on a parity herewith.

g) "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.

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 1974 Bond Fund and the Reserve Account therein, but excluding income derived from investments deposited in the 1970 Bond Fund.

i) "Assessments" shall mean assessments levied in such utility local improvement district 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.

j) "Operating and Maintenance Expenses" shall mean the necessary expenses incurred by the District in causing the System to be operated andintained 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 received payments from such public corporation to defray the costs of such expenses.

Section 2. For the purpose of providing the moneys required to refund the Outstanding Bonds, the District shall issue its revenue refunding bonds in the principal amount of \$615,000 (the "Bonds"), dated January 1, 1974, in the denomination of \$5,000 each, bearing interest payable semiannually on the first days of each February and August thereafter (commencing February 1, 1974) and maturing February 1 as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-2	1974	\$10,000	6.50%
3-4	1975	10,000	6.50%
5-8	1976	20,000	6.50%
9-12	1977	20,000	6.50%
13-16	1978	20,000	6.50%
17-20	1979	20,000	6.50%
21-25	1980	25,000	6.50%
26-30	1981	25,000	6.50%
31-35	1982	25,000	6.50%
36-40	1983	25,000	6.50%

Bond Nos.	Maturity Year	Amount	Interest Rate
41-45	1984	\$25,000	6.50%
46-50	1985	25,000	6.50%
51-55	1986	25,000	6.50%
56-61	1987	30,000	6.50%
62-67	1988	30,000	6.25%
68-73	1989	30,000	6.30%
74-80	1990	35,000	6.30%
81-87	1991	35,000	6.30%
88-95	1992	40,000	6.40%
96-103	1993	40,000	6.40%
104-111	1994	40,000	6.40%
112-120	1995	45,000	6.40%
121-123	1996	15,000	6.40%

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, solely from the 1974 Bond Fund.

Section 3. The District reserves the right to redeem Bonds outstanding in whole, or in part in inverse numerical order on February 1, 1985, or any interest payment date thereafter at the following times and prices expressed as percentages of the principal amount:

On February 1 and August 1, 1985 at 102
 On February 1 and August 1, 1986 at 101
 On February 1, 1987 and any interest
 payment date thereafter, at 100.

Notice of intended redemption of the Bonds 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

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.

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 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

KNOW ALL MEN BY THESE PRESENTS:

That Whatcom County Water District No. 8, 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 February, 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 February and August of each year, as evidenced by and upon presentation and surrender of the attached interest coupons as they severally become due or until payment of the principal amount shall have been made 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 "1974 Revenue Bond Fund" created by Resolution No. _____ of the District (herein called the "Resolution").

The District reserves the right to redeem the bonds of this issue outstanding in whole, or in part in inverse numerical order, at the following times and prices expressed as percentages of the principal amount:

On February 1 and August 1, 1985	at 102
On February 1 and August 1, 1986	at 101
On February 1, 1987 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 one hundred twenty-three bonds of like amount, date and tenor, except as to maturity date and interest rate aggregating \$615,000 in principal amount, issued pursuant to laws of the State of Washington and resolutions of the Board of Commissioners of the District duly and regularly adopted, for the purpose of providing funds to refund outstanding

revenue bonds of the District. 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 Resolution) and all additions and betterments thereto, and out of all utility local improvement district assessments or 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 said 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 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 by the Resolution 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 of 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 the Revenue Bond Fund and the Reserve Account created therein, the various amounts required by the Resolution to be paid into and maintained in the Revenue Bond Fund and Reserve Account, all within the times provided by said 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 except any payments required to be made into the 1970 Bond Fund (as defined in the Resolution) for the payment and security of the principal of and interest on the outstanding water revenue bonds of the District issued under dates of February 1, 1970 and July 1, 1972, and equal in rank to

the lien on such revenue for any charges that may be made thereon to pay the principal of and interest on any revenue bonds of the District which may later be issued on a parity with the bonds of the issue of which this bond is one. Full provision has heretofore been made for the payment of the principal of and interest on such outstanding 1970 and 1972 Bonds.

The District has further pledged that it will maintain said System in good condition and repair and operate the same in an efficient manner and at a reasonable cost.

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 signature of 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

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President, Board of Commissioners

ATTEST:

Secretary, Board of Commissioners

The interest coupons 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 sum 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 sum being the semiannual interest due that date on its revenue bond dated January 1, 1974 and numbered _____.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

By _____
President, Board of Commissioners

ATTEST:

Secretary, Board of Commissioners

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

Section 6. A special fund of the District known as the "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 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 extensions and replacements of the System.

Section 7. There is hereby 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 as collected, 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:

a) In the month of January, 1974 a sum equal to the principal and interest to become due and payable on the Bonds outstanding on February 1, 1974.

b) Beginning with the month of February, 1974, and continuing for as long as any of the Bonds are outstanding and unpaid, one-sixth of the amount which, with Assessments and other monies 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.

c) Beginning with the month of February, 1974, and continuing for as long as any of the Bonds are outstanding, one-twelfth of the amount which, with Assessments and other monies 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 in the 1974 Bond Fund 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 Bonds 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 except any payments which may be required to be made into the 1970 Bond Fund (or the reserve account therein) to pay and secure the principal of and interest on the Outstanding Bonds, and are hereby declared to be of equal lien to any charge which may be made upon said Gross Revenue and the money in said Fund for the payment of the principal of and interest on any future Parity Bonds. No additional revenue bonds shall be issued on a parity of lien with the Outstanding Bonds.

Section 8. A Reserve Account (herein called the "Reserve Account") is hereby created in the 1974 Bond Fund. The District hereby agrees that it will set aside and pay into the Reserve Account out of moneys in the Maintenance Fund, or out of Assessments, approximately equal annual amounts sufficient (together with such monies as are deposited in said account out of the proceeds of sale of the Bonds) to establish prior to January 1, 1981, and thereafter to maintain, a balance in said Account at least equal to the maximum annual amount required thereafter to pay the principal of and interest on all outstanding Parity Bonds.

Out of the proceeds of the sale of the Bonds there shall be paid into the Reserve Account a sum equal to the monies on hand

in the Reserve Account in the 1970 Bond Fund after liquidation of all investments credited to said Account as provided in Section 10 hereof.

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 the Revenue of the System than in its judgment will be available over and above such cost of maintenance and operation.

Section 9. The District hereby irrevocably calls for redemption on February 1, 1988 the then outstanding 1970 Bonds, all in accordance with the provisions of Resolution No. 15 of the District. The District hereby irrevocably calls for redemption on July 1, 1984, the then outstanding 1972 Bonds, all in accordance with the provisions of Resolution No. 42 of the District. Said calls for redemption shall

be irrevocable after delivery of the Bonds to the initial purchaser thereof.

The Whatcom County Treasurer is hereby authorized and directed to give notice of the redemption of the Outstanding Bonds in accordance with the provisions of said Resolutions 15 and 42.

The Whatcom County Treasurer is hereby authorized and directed to pay the principal, applicable redemption premiums and interest on the Outstanding Bonds when due, from monies and obligations deposited with the Treasurer in the 1970 Bond Fund pursuant to the immediately following sections of this resolution. All monies and obligations deposited with the Treasurer and the income therefrom shall be held, invested and applied in accordance with the statutes of the State of Washington. Any uninvested monies held by the Treasurer in such account not immediately needed for the purposes for which such account is established shall be invested in such manner as the District shall direct, provided, however, that no such monies shall be invested in any manner which would cause the Refunding Bonds to be deemed "arbitrage bonds" within the meaning of Section 103 (d) of the United States Internal Revenue Code of 1954 and applicable regulations thereunder.

Any monies remaining in the 1970 Bond Fund after retirement of all Outstanding Bonds shall be paid into and become a part of the 1974 Bond Fund.

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

Section 10. The proceeds of sale of the Bonds (exclusive of the accrued interest thereon which shall be paid into the 1974 Bond

Fund and exclusive of the amounts specified in Section 8 hereof to be paid into the Reserve Account in the 1974 Bond Fund) shall be paid into the 1970 Bond Fund and used immediately upon the receipt thereof to discharge the obligations of the District under Resolutions 15 and 42 authorizing the issuance of the Outstanding Bonds by providing for the payment as hereinafter set forth in this section of the principal and interest on the Outstanding Bonds. The District shall discharge such obligations by the purchase of certain "Government Obligations" as such obligations are defined in RCW 39.53, as now or hereafter amended (herein called "Acquired Obligations") which obligations are as set forth in Exhibit A-1, attached hereto and incorporated by reference herein, bearing such interest and maturing as to principal and interest in such amounts and at such times as to provide for the payment of:

- (a) Interest on the 1970 Bonds which will become due and payable on or before February 1, 1988.
- (b) The principal of those 1970 Bonds which will mature on or before February 1, 1988.
- (c) The redemption price payable on February 1, 1988, upon the redemption of the 1970 Bonds maturing after such date.
- (d) Interest on the 1972 Bonds which will become due and payable on or before July 1, 1984.
- (e) The principal of those 1972 Bonds which will mature on or before July 1, 1984.
- (f) The redemption price payable on July 1, 1984, upon the redemption of the 1972 Bonds maturing after such date.

Such obligations shall be deposited for safekeeping with The National Bank of Commerce of Seattle, Seattle, Washington

(hereinafter called the "Refunding Agent"). Any amounts described in subparagraphs (a) through (f) of this section which are not provided for in full by the purchase and deposit of obligations described in this section shall be provided for by the irrevocable deposit of proceeds of sale of the Bonds or other moneys of the District with the aforesaid Refunding Agent. The District shall apply to the purchase of such obligations, from moneys on deposit in the 1970 Bond Fund, such monies as are required for such purpose, but not in excess of a sum equal to the interest accruing on the Outstanding Bonds from their respective last interest payment dates to the date of delivery of the Bonds to the initial purchaser thereof.

All such Acquired Obligations and other monies required shall be deposited in the 1970 Bond Fund. Of such Acquired Obligations, \$215,000 principal amount of Government National Mortgage Association Participation Certificates maturing December 11, 1987 and bearing interest at the rate of 6.4% per annum shall be credited to the Reserve Account in the 1970 Bond Fund. The deposit of such obligations into the 1970 Bond Fund (and the Reserve Account therein) shall be irrevocable and such Fund shall be deemed a trust fund for the security of the Outstanding Bonds.

All investments now credited to the Reserve Account heretofore created in the 1970 Bond Fund shall be liquidated and converted to cash. All such cash shall be applied to the acquisition of the Acquired Obligations which are to be deposited in such Reserve Account pursuant to the preceding paragraph.

The Refunding Agent shall promptly collect all income (principal and interest) derived from the Acquired Obligations and shall promptly remit such monies to the Whatcom County Treasurer. All such income and monies shall be credited by the Treasurer to the 1970 Bond Fund and shall be used to pay, when due, the

payments of principal of and interest on the Outstanding Bonds as specified in sub-sections (a) through (f) of this section.

Section 11. The proper officers and agents of the District are directed to obtain from the Refunding Agent an agreement setting forth its duties, obligations and responsibilities in connection with the redemption and retirement of the Outstanding Bonds and the safekeeping of the Acquired Obligations as provided herein and stating that the provisions theretofore made for the payment of the fees, compensation and expenses of such Refunding Agent are satisfactory to it.

In order to carry out the purposes of the preceding section of this resolution and this section, the Secretary of the Board of Commissioners of the District is authorized and directed to execute and deliver to The National Bank of Commerce of Seattle, 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 12. 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 1974 Bond Fund all outstanding Assessments levied 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, and before any payments required to be made into the 1970 Bond Fund.

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 such year on each such 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 issue by the original total principal amount of such 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 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 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 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 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 commencing with the year 1974, 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.

i. That it will, on or before June 1 of each calendar year commencing with the year 1975, 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 such 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 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 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. That 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 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 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 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 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, (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 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 15. The action of the Board in accepting the written offer of Seattle-Northwest Securities Corporation, dated December 6, 1973, 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 proceedings 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 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 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.

ADOPTED by the Board of Commissioners of Whatcom County Water District No. 8, Whatcom County, Washington, at a regular meeting thereof held this 3rd day of January, 1974.

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON

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President and Commissioner

151

Commissioner

151

Commissioner

ATTEST:

151

Secretary of its Commission

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

January ____, 1974.

HUGH CORY
WHATCOM COUNTY TREASURER

SCHEDULE A-1

ACQUIRED OBLIGATIONS

WHATCOM COUNTY WATER DISTRICT NO. 8
WHATCOM COUNTY, WASHINGTON
SECURITIES USED TO FUND ESCROW

<u>Amount</u>	<u>Interest Rate</u>	<u>Description</u>	<u>Maturity Date</u>
\$215,000	6.400%	GNPC	12/11/87
---	---	FNMA COUPONS	12/10/84
40,000	6.900%	FNMA	12/10/84
170,000	6.250%	FNMA	6/11/84
15,000	7.300%	FLB	10/20/83
10,000	7.350%	FNMA	12/10/82
10,000	6.650%	FNMA	6/10/82
10,000	6.600%	FHLB	11/27/81
20,000	7.250%	FNMA	6/10/81
20,000	6.875%	FNMA	3/10/80
10,000	7.850%	FNMA	6/11/79
20,000	7.150%	FNMA	6/12/78
10,000	6.375%	FNMA	6/10/77
10,000	6.700%	FNMA	6/10/76
10,000	5.250%	FNMA	6/10/75
10,000	7.900%	FNMA	6/10/74
10,000	---	BILLS	1/31/74

CODE:

FLB - Federal Land Bank Bonds
FNMA - Federal National Mortgage Association Debentures
GNPC - Government National Mortgage Association
Participation Certificates
BILLS - United States Treasury Bills

I, _____, 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. ____ of said Board duly adopted at a regular meeting thereof held January ____, 1974.

Secretary, Board of Commissioners