

LAKWOOD WATER DISTRICT  
PIERCE COUNTY, WASHINGTON

RESOLUTION NO. B-1469

A RESOLUTION of the Board of Water Commissioners of Lakewood Water District, Pierce County, Washington; providing for the issuance, sale, and delivery of water revenue bonds, in one or more series, to provide funds necessary to (i) pay all or part of the costs of acquiring and constructing improvements and betterments to the District's water system described in its comprehensive plan, (ii) refund certain outstanding water revenue bonds of the District, and (iii) pay the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the District's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

Adopted June 24, 2021

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BE IT RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF LAKWOOD WATER DISTRICT, PIERCE COUNTY, WASHINGTON, as follows:

Section 1.     Definitions. As used in this resolution, the following capitalized terms have the following meanings:

**"2012 Bond Resolution"** means Resolution No. B-1403, adopted by the Board on March 15, 2012.

**"2012 Bonds"** means the Water Revenue Refunding Bonds, 2012, authorized by the 2012 Bond Resolution in the original principal amount of \$4,540,000.

**"2014 Bond Resolution"** means Resolution No. B-1415, adopted by the Board on March 20, 2014.

**"2014 Bonds"** means the Water Revenue Bonds, 2014, authorized by the 2014 Bond Resolution in the original principal amount of \$9,900,000.

**"2016 Bond"** means the Water Revenue Refunding Bond, 2016, authorized by the 2016 Bond Resolution in the original principal amount of \$4,133,479.

**"2016 Bond Resolution"** means Resolution No. B-1435, adopted by the Board on April 28, 2016.

**"2017 Bond Resolution"** means Resolution No. B-1440, adopted by the Board on June 29, 2017.

**"2017 Bonds"** means the Water Revenue Bonds, 2017, authorized by the 2017 Bond Resolution in the original principal amount of \$7,140,000.

**“2019 Bond Resolution”** means Resolution No. B-1452, adopted by the Board on June 6, 2019.

**“2019A Bonds”** means the Water Revenue Bonds, 2019A (Private Activity AMT), authorized by the 2019 Bond Resolution in the original principal amount of \$18,895,000.

**“2019B Bonds”** means the Water Revenue Bonds, 2019B (Tax-Exempt, Bank Qualified), authorized by the 2019 Bond Resolution in the original principal amount of \$9,805,000.

**“2019 Bonds”** means, collectively, the 2019A Bonds and the 2019B Bonds.

**“Accreted Value”** means:

(a) with respect to any Capital Appreciation Bonds, as of the time of calculation, the sum of the amount representing the initial principal amount of such Capital Appreciation Bonds as set forth in the applicable Parity Bond Authorizing Resolution plus the interest accumulated, compounded, and unpaid thereon as of the most recent compounding date, or

(b) with respect to original issue discount bonds under the Code, as of the time of calculation, the amount representing the initial public offering price of such original issue discount bonds plus the amount of the discounted principal which has accreted since the date of issue, determined in accordance with the provisions of the applicable Parity Bond Authorizing Resolution.

**“Annual Debt Service”** means, for any Parity Bonds for any fiscal year of the District, all amounts required to be paid in respect of interest on and principal of such Parity Bonds (excluding interest payments capitalized by such Parity Bonds and excluding the accrued interest paid to the District upon the issuance of such Parity Bonds), subject to the following:

(a) *Debt Service on Term Bonds.* For purposes of calculating debt service on Term Bonds, only the scheduled mandatory redemption amounts payable in respect of principal of Term Bonds shall be taken into account in any fiscal year prior to the Term Bond Maturity Year, and only the principal amount scheduled to remain outstanding after payment of all prior mandatory redemption amounts shall be taken into account in the Term Bond Maturity Year;

(b) *Interest on Parity Bonds.* For purposes of determining compliance with the Coverage Requirement, the Reserve Requirement, if any, and conditions for the issuance of Future Parity Bonds or the creation of Contract Resource Obligations:

(1) *Generally.* Except as otherwise provided by subparagraph (b)(2) with respect to Variable Interest Rate Bonds, interest on any issue of Parity Bonds payable in a fiscal year shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is

payable in that fiscal year in respect of that issue taken as a whole, at the rate or rates set forth in the Parity Bond Authorizing Resolution;

- (2) *Interest on Variable Interest Rate Bonds.* The amount of interest deemed to be payable on any issue of Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate (the “assumed bond index-based rate”) that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the quarter in which the calculation is made; except that, for purposes of determining actual compliance with the Coverage Requirement under Section 13(b)(ii) in any past fiscal year, the actual amount of interest paid on any issue of Variable Interest Rate Bonds shall be taken into account.

**“Authorized Denomination”** means \$5,000 or any integral multiple thereof within a maturity of a Series.

**“Average Annual Debt Service”** means, for any Parity Bonds, the sum of the Annual Debt Service on such Parity Bonds for the remaining years to the last scheduled maturity of such Parity Bonds, divided by the number of those years.

**“Beneficial Owner”** means, with respect to a Bond, the owner of the beneficial interest in the Bond.

**“Board”** means the Board of Water Commissioners of the District.

**“Bond”** means each bond issued pursuant to and for the purposes provided in this resolution.

**“Bond Counsel”** means the firm of Foster Garvey P.C., its successor, or any other attorney or firm of attorneys selected by the District with a nationally recognized standing as bond counsel in the field of municipal finance.

**“Bond Fund”** means the special fund of the District known as the Revenue Bond Fund created by Resolution No. B-1296 for the payment of the principal of, mandatory sinking fund payments with respect to, and interest on the Parity Bonds.

**“Bond Insurance”** means any bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on any Parity Bonds.

**“Bond Purchase Contract”** means an offer to purchase a Series, setting forth certain terms and conditions of the issuance, sale, and delivery of the Series, which offer is authorized to be accepted by the Designated Representative on behalf of the District, if consistent with this resolution.

**“Bond Register”** means the books or records maintained by the Registrar for the purpose of identifying ownership of each Bond.

**“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable Parity Bond Authorizing Resolution and is payable only upon redemption or on the maturity date of such Parity Bond. Parity Bonds that are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

**“Code”** means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

**“Comprehensive Plan”** means the Comprehensive Plan for Lakewood Water District, adopted by the District on April 16, 2020, as it may have been amended and will be amended in the future from time to time.

**“Contract Resource Obligation”** means an obligation of the District, designated as a Contract Resource Obligation and entered into pursuant to the Parity Bond Authorizing Resolutions to make payments for water supply, transmission, or other commodity or service to another person or entity (including without limitation any separate utility system created pursuant to one or more Parity Bond Authorizing Resolutions).

**“Coverage Requirement”** means Net Revenue at least equal to 1.25 times the Annual Debt Service in the relevant fiscal year on all outstanding Parity Bonds less ULID Assessments due in that fiscal year and not delinquent.

**“Designated Representative”** means the officer of the District appointed in Section 4 to serve as the District’s designated representative in accordance with RCW 39.46.040.

**“District”** means Lakewood Water District, Pierce County, Washington, as presently existing or as may subsequently exist as a result of any change in corporate or service area boundaries or lawful merger or consolidation with or assumption of assets and liabilities by (a) any other special purpose sewer, water, or sewer and water district under the provisions of Titles 56 or 57 RCW or successor statutes or (b) any public utility district created under the provisions of Title 54 RCW or successor statutes.

**“DTC”** means The Depository Trust Company, New York, New York, or its nominee.

**“Final Terms”** means the terms and conditions for the sale of a Series to the Purchaser, including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

**“Finance Director”** means the Finance Director of the District or such other officer of the District who succeeds to substantially all of the responsibilities of that office.

**“Fiscal Agent”** means the fiscal agent of the State, as the same may be designated by the State from time to time.

**“Future Parity Bond Authorizing Resolution”** means a resolution of the District authorizing the issuance and sale and establishing the terms of Future Parity Bonds.

**“Future Parity Bonds”** means all revenue bonds and other obligations of the District issued or entered into after the Issue Date and then outstanding, the payment of which constitutes a charge and lien on the Net Revenue equal in rank with the charge and lien upon such revenue required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds, but shall not include any obligations issued by any municipal corporation other than the District.

**“General Fund”** means Maintenance Account No. 131 established by District Resolution No. B-1284.

**“General Manager”** means the General Manager of the District or such other officer of the District who succeeds to substantially all of the responsibilities of that office.

**“Government Obligations”** means noncallable direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

**“Gross Revenue”** means all of the earnings and revenues received by the District from any source whatsoever including but not limited to the maintenance and operation of the System, and earnings from the investment of money on deposit in the various funds of the District. Gross Revenue shall not include (a) earnings of a separate utility system that may be acquired or constructed by the District pursuant to Section 16, (b) principal proceeds of Parity Bonds or other borrowings, (c) government grants, (d) proceeds of taxes levied by the District, or (e) earnings or proceeds from any investments in a trust, defeasance, or escrow account created to defease or refund System obligations (until commingled with other earnings and revenues of the System defined as Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States under the Code.

**“Improvements”** means the construction and acquisition of improvements and betterments to the System described in the Comprehensive Plan.

**“Independent Utility Consultant”** means either (a) an independent licensed professional engineer experienced in the design, construction, or operation of municipal utilities of comparable size and character to the System, or (b) an independent certified public accountant or other professional consultant experienced in the development of rates and charges for municipal utilities of comparable size and character to the System.

**“Issue Date”** means, with respect to a Bond, the date of initial issuance and delivery of the Bond to the Purchaser in exchange for the purchase price of the Bond.

**“Letter of Representations”** means the Blanket Issuer Letter of Representations between the District and DTC dated November 13, 2001, as it may be amended from time to

time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

**“Maximum Annual Debt Service”** means, for any Parity Bonds at the time of calculation, the maximum amount of Annual Debt Service on such Parity Bonds that will mature or come due in the current fiscal year or any future fiscal year.

**“MSRB”** means the Municipal Securities Rulemaking Board.

**“Net Revenue”** means the Gross Revenue plus withdrawals from the Rate Stabilization Account in accordance with Section 11 minus (a) Operation and Maintenance Expenses, (b) deposits into the Rate Stabilization Account in accordance with Section 11, and (c) proceeds from the sale of property of the System.

**“Official Statement”** means an offering document, disclosure document, private placement memorandum, or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of a Series in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

**“Operation and Maintenance Expenses”** means all expenses incurred by the District in causing the System to be operated and maintained in good repair, working order, and condition, including without limitation: deposits, premiums, assessments, or other payments for insurance, if any, on the System; payments into pension funds; State-imposed taxes; payments under any Contract Resource Obligation; and payments with respect to any other expenses of the System that are properly treated as operation and maintenance expenses under generally accepted accounting principles applicable to municipal corporations. The term Operation and Maintenance Expenses does not include any depreciation or capital additions or capital replacements to the System.

**“Outstanding Parity Bonds”** means, collectively: the 2012 Bonds outstanding in the principal amount of \$400,000 that mature in the year 2022; the 2014 Bonds outstanding in the principal amount of \$9,050,000 that mature in the years 2021 through 2033, inclusive; the 2016 Bond outstanding in the principal amount of \$1,920,353 that matures in the year 2025; the 2017 Bonds outstanding in the principal amount of \$7,140,000 that mature in the years 2034 through 2037, inclusive, 2039, and 2042; the 2019A Bonds outstanding in the principal amount of \$18,895,000 that mature in the years 2021 through 2026, inclusive, the years 2029 through 2032, inclusive, and the years 2034, 2035, 2037, 2039, 2041 and 2044; and the 2019B Bonds outstanding in the principal amount of \$9,805,000 that mature in the years 2045 and 2048.

**“Owner”** means, without distinction, the Registered Owner and the Beneficial Owner.

**“Parity Bond Authorizing Resolution(s)”** means, as applicable to each series of Parity Bonds, the 2012 Bond Resolution, the 2014 Bond Resolution, the 2016 Bond Resolution, the 2017 Bond Resolution, the 2019 Bond Resolution, this resolution, and any Future Parity Bond Authorizing Resolution and, with respect to each of the foregoing, shall include the documents, certifications, and other proceedings authorized thereby, including those authorized pursuant to authority delegated thereby.



**“Parity Bonds”** means, collectively, the Outstanding Parity Bonds, the Bonds, and any Future Parity Bonds.

**“Parity Conditions”** means the conditions set forth in Section 15 of the 2012 Bond Resolution, Section 15 of the 2014 Bond Resolution, Section 14 of the 2016 Bond Resolution, and Section 15 of the 2017 Bond Resolution, Section 15 of the 2019 Bond Resolution, and as such conditions relate to the issuance of the Bonds, together with the conditions set forth in Section 15 of this resolution as such conditions relate to the issuance of Future Parity Bonds.

**“Prepayment Date”** means the date fixed by the Designated Representative for prepayment of the Refunded Portion.

**“Principal and Interest Account”** means the subaccount of that name created in the Bond Fund for the payment of the principal of and interest and mandatory redemption requirements, if any, on Parity Bonds.

**“Purchaser”** means the corporation, firm, association, partnership, trust, bank, financial institution, or other legal entity or group of entities selected by the Designated Representative to serve as underwriter or placement agent in a negotiated sale of the Bonds or as purchaser in a private placement.

**“Rate Stabilization Account”** means the account of that name created in the General Fund previously established by the District.

**“Rating Agencies”** means Moody’s Investors Service, Inc., and S&P Global Ratings, and their successors, and any other nationally-recognized securities rating agency or agencies rating Parity Bonds at the request of the District.

**“Record Date”** means the Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date means the Registrar’s close of business on the date on which the Registrar sends the notice of redemption in accordance with Section 7.

**“Refunded Portion”** means the outstanding principal amount of the 2016 Bond, if any, determined by the Designated Representative for refunding pursuant to Section 21(a).

**“Refunding Bond”** means each Bond issued to refund the Refunded Portion.

**“Registered Owner”** means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the District uses the book–entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

**“Registrar”** means the Fiscal Agent or any successor bond registrar selected by the District.

**“Reserve Account”** means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

**“Reserve Insurance”** means any bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement device obtained by the District to provide for part or all of the Reserve Requirement, if any, for any Parity Bonds which is issued by an institution that has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of one of the Rating Agencies (without regard to numeric or symbolic gradations within a rating category).

**“Reserve Requirement”** means, for the Outstanding Parity Bonds, zero, for the Bonds, zero, and for any series of Future Parity Bonds, the amount specified in the applicable Future Parity Bond Authorizing Resolution, which may be zero.

**“Rule 15c2-12”** means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

**“SEC”** means the United States Securities and Exchange Commission.

**“Securities Depository”** means DTC, any successor thereto, any substitute securities depository selected by the District that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

**“Series”** means a series of the Bonds issued pursuant to this resolution.

**“SIFMA Municipal Swap Index”** means the seven-day high-grade market index of that name, consisting of tax-exempt variable rate demand obligation reset rates that are reported to the MSRB, or its successor.

**“State”** means the State of Washington.

**“State Auditor”** means the office of the Auditor of the State or such other department, office, or agent of the State authorized and directed by State law to conduct audits.

**“System”** means the water supply and distribution system of the District, as it now exists and all additions thereto and betterments and extensions thereof at any time made for so long as any of the Parity Bonds are outstanding and including any sanitary sewage collection, treatment, and disposal system, septic inspection and maintenance system, or storm and surface water drainage system, or other system or utility, that may lawfully be combined with the System. The System shall not include any water supply or service or other facilities that is created, acquired, or constructed by the District as a separate utility system as provided in Section 16.

**“System of Registration”** means the system of registration for the District’s bonds and other obligations set forth in District Resolution No. B-1295.

**“Tax-Exempt Bond”** means each Bond the interest on which is intended on the Issue Date to be excluded from gross income for federal income tax purposes.

**“Term Bond”** means each Parity Bond designated as such in the applicable Parity Bond Authorizing Resolution and subject to mandatory redemption in the years and amounts set forth in the applicable Parity Bond Authorizing Resolution.

**“Term Bond Maturity Year”** means any calendar year in which Term Bonds are scheduled to mature.

**“ULID”** means a utility local improvement district.

**“ULID Assessments”** means all assessments levied and collected in a ULID of the District created for the acquisition or construction of additions to and betterments and extensions of the System if (and only if) those assessments are pledged to be paid into the Bond Fund, not including any prepaid assessments paid into a construction fund or account. ULID Assessments shall include installments thereof and any interest or penalties thereon.

**“Undertaking”** means the undertaking to provide continuing disclosure entered into pursuant to Section 23.

**“Variable Interest Rate”** means any variable interest rate or rates to be borne by any Parity Bonds. The method of computing such a variable interest rate shall be as specified in the applicable Parity Bond Authorizing Resolution, which resolution also shall specify either (a) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (b) the time or times upon which any change in such variable interest rate shall become effective. A Variable Interest Rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity, or other indices.

**“Variable Interest Rate Bonds”** means, for any period of time, any Parity Bonds that bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond Authorizing Resolution, is to produce obligations that bear interest at a fixed interest rate.

Section 2. Findings and Determinations. The District takes note of the following facts and makes the following findings and determinations.

(a) Background. Pursuant to Resolution No. B-1459, adopted on April 16, 2020, the Board adopted the Comprehensive Plan, which includes carrying out the Improvements. The District is now in need of funds with which to finance the Improvements and, if so determined by the Designated Representative pursuant to Section 21(a), to refund the Refunded Portion.

(b) Authorization. Pursuant to applicable law, including chapters 57.20, 39.44, 39.46, 39.50, and 39.53 RCW, the District is authorized to issue water revenue bonds to (i) pay all or part of the costs of acquiring and constructing the Improvements; (ii) pay the cost of refunding the Refunded Portion; and (iii) pay the costs of issuance and sale of the Bonds.

(c) Parity Bonds. The District issued the Outstanding Parity Bonds and by the Parity Bond Authorizing Resolutions authorizing the Outstanding Parity Bonds provided for the issuance of Future Parity Bonds if the Parity Conditions included in such Parity Bond

Authorizing Resolutions are met and complied with at the time such Future Parity Bonds are issued.

(d) Authority to Issue Future Parity Bonds. No deficiency shall exist in the Bond Fund on the Issue Date. No Event of Default as defined in the Parity Bond Authorizing Resolutions authorizing the Outstanding Parity Bonds shall have occurred and be continuing on the Issue Date. This resolution provides that all ULID Assessments shall be paid directly into the Bond Fund. This resolution provides for the payment of the principal of and interest on the Bonds (including any mandatory redemption requirements) out of the Bond Fund. Provision shall have been made for the funding of the Reserve Requirement, if any, upon the issuance of the Bonds. There shall be on file prior to the Issue Date a certificate of the General Manager that satisfies the conditions for such certificate as set forth in the Parity Bond Authorizing Resolutions authorizing the Outstanding Parity Bonds. Accordingly, the Parity Conditions will be satisfied on the Issue Date and the Bonds shall be issued as Future Parity Bonds.

(e) Finding as to Sufficiency of Gross Revenue. The District finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System at the rates to be charged for services provided by the District will be more than sufficient to meet all Operation and Maintenance Expenses and to permit the setting aside into the Bond Fund out of the Gross Revenue amounts sufficient to pay the principal of and interest on the Bonds and any mandatory redemption requirements when due. The District further declares that in maintaining the Bond Fund and in fixing the amounts to be paid into the Bond Fund it has exercised due regard for Operation and Maintenance Expenses, and the District has not bound or obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Gross Revenue than in the judgment of the Board will be available over and above the Operation and Maintenance Expenses and the amount previously pledged.

(f) Refunding. The Board finds that it is in the best interests of the District and its ratepayers to issue the Refunding Bonds to refund the Refunded Portion if, in the determination of the Designated Representative, a savings will be effected by the difference between the principal and interest cost over the life of the Refunding Bonds and the principal and interest cost over the life of the Refunded Portion but for such refunding, as set forth in Section 21(a) and in Exhibit A. The Board further finds that the issuance of the Refunding Bonds in accordance with this resolution will discharge and satisfy the obligations, pledges, charges, trusts, covenants, and agreements of the Board under the 2016 Bond Resolution as to the Refunded Portion, and the Refunded Portion shall no longer be deemed to be outstanding immediately upon the deposit in the Bond Fund of money sufficient to prepay the Refunded Portion on the Prepayment Date.

Section 3. Purpose and Authorization of Bonds. The District is authorized to borrow money on the credit of the District and issue negotiable water revenue bonds evidencing indebtedness in one or more Series to (a) pay all or part of the costs of acquiring and constructing the Improvements; (b) pay the cost of refunding the Refunded Portion; and (c) pay the costs of issuance and sale of the Bonds.

Section 4. Parameters of Bonds; Appointment of Designated Representative. The General Manager and Finance Director of the District are each individually appointed as the

Designated Representative, and each is individually authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the District, and to approve the Final Terms for each Series, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit A, which is attached to this resolution and incorporated by this reference.

Section 5. Registrar; Registration and Transfer of Bonds.

(a) Registration of Bonds. Each Bond shall be issued only in registered form as to both principal and interest, and the ownership of each Bond shall be recorded on the Bond Register.

(b) Registrar; Duties. Unless otherwise designated by the Designated Representative, the Fiscal Agent is appointed as initial Registrar. The Registrar shall keep, or cause to be kept, the Bond Register, which shall be open to inspection by the District at all times. The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the District's paying agent for the Bonds and to carry out all of the Registrar's powers and duties under this resolution and the System of Registration. The Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on each Bond. The Registrar may become an Owner with the same rights it would have if it were not the Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) Bond Register; Transfer and Exchange. The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, maturity, and interest rate. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the redemption date.

(d) Securities Depository; Book-Entry Only Form. If a Bond is to be issued in book-entry only form, DTC shall be appointed as initial Securities Depository, and the Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the District; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the District, the District may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the District does not appoint a substitute Securities Depository or (ii) the District terminates the services of

the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this resolution.

Neither the District nor the Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the District nor the Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner of a Bond registered in the name of the Securities Depository except such notice as is required to be given by the Registrar to the Securities Depository.

Section 6. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository are payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The District is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Registrar. The Bonds are payable solely out of the Bond Fund and shall not be general obligations of the District. The Bonds are not subject to acceleration under any circumstances.

Section 7. Redemption Provisions and Purchase of Bonds.

(a) Optional Redemption. The Bonds shall be subject to redemption at the option of the District on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Contract, consistent with the parameters set forth in Exhibit A.

(b) Mandatory Redemption. Each Bond that is designated as a Term Bond in the Bond Purchase Contract, consistent with the parameters set forth in Exhibit A and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Contract. If a Bond that is a Term Bond is redeemed under the optional redemption provisions, defeased, or purchased by the District and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased, or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The District shall determine the manner in which the credit is to be allocated and shall notify the Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) Selection of Bonds for Redemption; Partial Redemption. If fewer than all of the outstanding Bonds are to be redeemed at the option of the District, the District shall select the Series and maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity

of a Series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Registrar shall select all other Bonds to be redeemed randomly in such manner as the Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) Notice of Redemption. Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the General Manager shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) Rescission of Optional Redemption Notice. In the case of an optional redemption, the notice of redemption may state that the District retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of redemption has been rescinded shall remain outstanding.

(f) Effect of Redemption. Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(g) Purchase of Bonds. The District reserves the right to purchase any or all of the Bonds offered to the District or in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

Section 8. Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 9. Form and Execution of Bonds.

(a) Form of Bonds; Signatures and Seal. Each Bond shall be prepared in a form consistent with the provisions of this resolution and State law and shall be signed in the corporate name of the District by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile, and the seal of the District or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the District authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Registrar, or issued or delivered by the District, the Bond nevertheless may be authenticated, issued, and delivered and, when authenticated, issued, and delivered, shall be as binding on the District as though the person had continued to be an officer of the District authorized to sign bonds. Any Bond also may be signed on behalf of the District by any person who, on the actual date of signing of the Bond, is an officer of the District authorized to sign bonds, although he or she did not hold the required office on the Issue Date.

(b) Authentication. Only a Bond bearing a Certificate of Authentication in the following form, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "Certificate of Authentication. This Bond is one of the fully registered Lakewood Water District, Pierce County, Washington, Water Revenue [and Refunding] Bonds, [Series], described in the Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, and delivered and is entitled to the benefits of this resolution.

Section 10. Bond Fund. The Bond Fund is divided into two accounts: the Principal and Interest Account and the Reserve Account. So long as any Parity Bonds are outstanding, the District shall set aside and pay into the Bond Fund all ULID Assessments on their collection and, out of the Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, on or prior to each date the same becomes due, an amount, together with other money on deposit therein, sufficient to pay the principal of and interest on the Bonds on such date; and

(b) Into the Reserve Account the amount, if any, necessary to fund the Reserve Requirement, if any, on the date of issuance of Parity Bonds. The District may establish for any one or more series of Future Parity Bonds a separate Reserve Requirement, which may be zero. The District may provide all or any part of the Reserve Requirement, if any, through Reserve Insurance, and the amount available to be drawn upon under that Reserve Insurance shall be credited against the Reserve Requirement, subject to the following:

The Reserve Insurance shall not be cancelable on less than 3 years' notice. On receipt of a notice of cancellation of any Reserve Insurance or upon notice that the entity providing the Reserve Insurance no longer meets the requirements specified herein, the District shall substitute Reserve Insurance in the amount required to make up the deficiency created in the Reserve Account or in the alternative shall create a special account in the General Fund and deposit therein, on or before the 25th day of each of the 36 succeeding calendar months (commencing with the



25th day of the calendar month next following the date of the notice) one 1/36th of the amount sufficient, together with other money and investments on deposit in the Reserve Account, to equal the Reserve Requirement in effect as of the date the cancellation or disqualification of the entity becomes effective. Those amounts shall be deposited in the special account from money in the General Fund after making provision for payment of Operation and Maintenance Expenses and for required payments into the Bond Fund. Amounts on deposit in that special account shall not be available to pay debt service on Parity Bonds or for any other purpose of the District, and shall be transferred to the Reserve Account on the effective date of any cancellation of a Reserve Insurance to make up all or part of the deficiency caused thereby. Amounts in that special account or in the Reserve Account may be transferred back to the General Fund and used for any purpose if and when qualifying Reserve Insurance is obtained.

Except for withdrawals therefrom authorized herein, the Reserve Account shall be maintained at the Reserve Requirement, if any, as it is adjusted from time to time, at all times so long as any Parity Bonds are outstanding. For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account has been invested shall be valued at market value.

If there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either principal or interest or mandatory redemption requirements for, as the case may be, for Parity Bonds secured by amounts in the Reserve Account, that deficiency shall be made up from the Reserve Account to the extent such Parity Bonds are secured thereby by the withdrawal of cash therefrom or draws on Reserve Insurance made for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall within 12 months be made up from ULID Assessments and Net Revenue available after making necessary provisions for the required payments into the Principal and Interest Account.

The money in the Reserve Account may be applied to the payment of the last outstanding Parity Bonds to the extent such Parity Bonds are secured thereby, except that any money in the Reserve Account (including investment earnings) in excess of the Reserve Requirement, if any, may be withdrawn and deposited in the Principal and Interest Account and spent for the purpose of retiring Parity Bonds or may be deposited in any other fund or account and spent for any other lawful District purpose. When the total amount in the Bond Fund (including investment earnings) shall equal the total amount of principal and interest for all Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Fund.

The District may provide for the purchase, redemption, or defeasance of any Parity Bonds by the use of money on deposit in any account in the Bond Fund as long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining Parity Bonds.

All money in the Bond Fund may be kept in cash or invested in legal investments for a water district under State law, maturing (for investments in the Principal and Interest Account) not later than the dates when the funds are required for the payment of principal of or interest on the Parity Bonds and, for investments in the Reserve Account, maturing (or subject to

redemption, or repurchase and redemption, at the option of the District) on a date not later than 15 years from the date of investment (or, if earlier, the final maturity of all Parity Bonds at the time outstanding).

Earnings from investments in the Principal and Interest Account shall be deposited in that account. Earnings from investments in the Reserve Account shall be deposited in that account. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit into a separate fund or account created for the purpose of compliance with those rebate requirements.

If the District provides for all or part of the Reserve Requirement by Reserve Insurance, excess amounts in the Reserve Account may be withdrawn from that account and deposited either in the Principal and Interest Account or in the General Fund, subject to applicable State law and Section 14.

The District may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of such Parity Bonds.

Section 11. Rate Stabilization Account. The District has previously established a Rate Stabilization Account in the General Fund. The District may at any time, as determined by the District and as consistent with Section 14, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the System during a fiscal year and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing. The District may, by resolution, withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue at any time for the current fiscal year. Such deposits or withdrawals may be made up to and including the date that is 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue for that fiscal year.

Earnings from investments in the Rate Stabilization Account shall be retained in the Rate Stabilization Account and shall not be included as Net Revenue unless and until withdrawn from the Rate Stabilization Account as provided herein.

No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the District from meeting the Coverage Requirement in the relevant fiscal year.

Section 12. Pledge of Net Revenue and Lien Position. The Net Revenue, ULID Assessments, and all money and investments held in the Bond Fund and the Rate Stabilization Account (except money and investments held in a separate fund or account created for the purpose of compliance with rebate requirements under the Code) are pledged to the payment of the Parity Bonds and to make payments into the Reserve Account required by the Parity Bond Authorizing Resolutions, and this pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other charges whatsoever.

Section 13. Covenants. The District covenants and agrees with the Registered Owner of each Bond at any time outstanding, as follows:

(a) Operation and Maintenance. The District will at all times maintain, preserve and keep the properties of the System in good repair, working order, and condition, will make all necessary and proper additions, betterments, renewals, and repairs thereto and improvements, replacements, and extensions thereof, and will at all times operate or cause to be operated the properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) Establishment and Collection of Rates and Charges. The District will establish, maintain, and collect rates and charges for water supply and distribution service and for all other utility services that will be fair and equitable, and will adjust those rates and charges from time to time so that:

(i) The Gross Revenue will be sufficient to (A) pay all Operation and Maintenance Expenses, (B) pay when due all amounts that the District is obligated to pay into the Bond Fund and the accounts therein, including the payment of any amounts owing to a provider of Reserve Insurance, and (C) pay all taxes, assessments, or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the District may now or hereafter become obligated to pay from the Gross Revenue by law or contract; and

(ii) The Net Revenue in each fiscal year will be at least equal to the Coverage Requirement; and

(iii) Except to aid the poor or infirm or for fire-fighting purposes, it will not furnish or supply or permit the furnishing or supplying of any water service free of charge to any person, firm, or corporation, public or private.

The failure of the District to comply with paragraphs (i) and (ii) of this subsection shall not be an Event of Default as defined in Section 25 if the District promptly retains an Independent Utility Consultant to recommend to the Board adjustments in the rates of the System necessary to meet the requirements of those paragraphs and if the Board adopts the recommended modifications within 180 days after the date the failure became known to the Board.

(c) Sale, Transfer, or Disposition of the System. The District will sell, transfer, or otherwise dispose of any of the works, plant, properties, facilities, or other part of the System or any real or personal property comprising a part of the System only upon approval by resolution and only consistent with one or more of the following:

(i) The District in its discretion may carry out such a sale, transfer, or disposition (each, as used in this subsection, a “transfer”) if the facilities or property transferred are not material to the operation of the System, or shall have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the System or are no longer necessary, material, or useful to the operation of the System; or

(ii) The District in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property being transferred under this paragraph in any fiscal year comprises no more than 3% of the total assets of the System; or

(iii) The District in its discretion may carry out such a transfer if the District receives from the transferee an amount equal to the greater of the following:

- (A) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Gross Revenue from the portion of the System sold or disposed of for the preceding fiscal year bears to the total Gross Revenue for that period; or
- (B) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding fiscal year bears to the total Net Revenue for such period; or
- (C) An amount equal to the fair market value of the portion of the System transferred. As used herein, “fair market value” means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

The proceeds of any transfer under this paragraph shall be used (1) to promptly redeem, or irrevocably set aside for the redemption of, Parity Bonds, and/or (2) to provide for part of the cost of additions to and betterments and extensions of the System.

Before any such transfer under this paragraph, the District must obtain a certificate of an Independent Utility Consultant to the effect that in his or her professional opinion, upon such transfer and the use of proceeds of the transfer as proposed by the District, the remaining System will retain its operational integrity and the Net Revenue will be at least equal to the Coverage Requirement during the 5 fiscal years following the fiscal year in which the transfer is to occur, taking into account, (1) the reduction in revenue resulting from the transfer; (2) the use of any proceeds of the transfer for the redemption of Parity Bonds, (3) the Independent Utility Consultant’s estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the System financed in part by the proposed portion of the proceeds of the transfer, and (4) any other adjustment permitted in the preparation of a certificate under Section 15(f)(ii). Before such a transfer, the District also must obtain confirmation from

each Rating Agency to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer.

If the District is assumed by or merged or consolidated with a municipal corporation or other public or private entity other than (1) any other special purpose sewer, water, or sewer and water district under the provisions of Titles 56 or 57 RCW or the successor statutes, or (2) any public utility district created under the provisions of Title 54 RCW or successor statutes, then any outstanding Parity Bonds immediately shall be retired or defeased in accordance with their terms.

(d) Liens Upon the System. The District will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Gross Revenue, or any part thereof, prior or superior to the lien thereon that secures the payment of the Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Gross Revenue, or any part thereof, prior or superior to, or on a parity with, the lien thereon that secures the payment of the Parity Bonds, or which might impair the security of the Parity Bonds.

(e) Books and Accounts. The District will keep proper books, records, and accounts with respect to the operations, income, and expenditures of the System in accordance with generally accepted accounting practices relating to municipal utilities and any applicable rules and regulations prescribed by the State, and will cause those books, records, and accounts to be audited on a regular basis by the State Auditor. The District will prepare annual financial and operating statements as soon as practicable after the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of the previous fiscal year.

(f) Collection of Delinquent Accounts and ULID Assessments. The District will, not later than March 1 of each year, take such legal action as may be feasible to enforce collection of all collectible delinquent accounts, and if on or before March 1 in any year two installments of any ULID Assessments have been delinquent for more than one year, the District will proceed with the foreclosure of the delinquent assessments or delinquent installments thereof in the manner required by law on or before September 1 of such year.

(g) Maintenance of Insurance. The District at all times will carry fire and extended coverage, public liability and property damage, and such other forms of insurance with responsible insurers and with policies payable to the District, on such of the buildings, equipment, works, plants, facilities, and properties of the System as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or the District will self insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the District, to protect the System and the Owners of the Parity Bonds against loss.

(h) Condemnation Awards and Insurance Proceeds. If the District receives any condemnation awards or proceeds of an insurance policy in connection with any loss of or damage to any property of the System, the District will apply the condemnation award or insurance proceeds, in the District's sole discretion, either (i) to the cost of replacing or repairing

the lost or damaged properties, (ii) to the payment, purchase, or redemption of Parity Bonds, or (iii) to the cost of improvements to the System.

Section 14. Flow of Funds. All ULID Assessments shall be paid into the Bond Fund. The Gross Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay the Operation and Maintenance Expenses;
- (b) To pay interest on Parity Bonds when due;
- (c) To pay the principal of Parity Bonds as it comes due at maturity or as the principal is required to be paid pursuant to mandatory redemption requirements applicable to Term Bonds;
- (d) To make all payments required to be made into the Reserve Account and all payments required to be made under any agreement relating to the provision of Reserve Insurance;
- (e) To make all payments required to be made into any revenue bond, note, warrant, or other revenue obligation redemption fund, debt service account, or reserve account created to pay or secure the payment of the principal of and interest on any revenue bonds, notes, warrants, or other obligations of the District having a lien upon the Gross Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and
- (f) To retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the System, to make necessary additional betterments, improvements, and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful System purposes.

The District may transfer any money from any funds or accounts of the System legally available therefor, except bond redemption funds or refunding escrow, defeasance, or trust accounts, to meet the required payments to be made into the Bond Fund.

Section 15. Provisions for Future Parity Bonds. The District reserves the right to issue Future Parity Bonds for purposes of the System or to refund all or a portion of the Parity Bonds if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds:

- (a) There shall be no deficiency in the Bond Fund and no Event of Default as defined in Section 25 shall have occurred and be continuing.
- (b) The Parity Bond Authorizing Resolution shall provide that all assessments and interest thereon that may be levied in any ULID created for the purpose of paying, in whole or in part, the principal of and interest on those Future Parity Bonds, shall be paid directly into the Bond Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.

(c) The Parity Bond Authorizing Resolution shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund.

(d) The Parity Bond Authorizing Resolution shall provide for the payment of amounts into the Bond Fund to meet mandatory redemption requirements applicable to any Term Bonds to be issued and for regular payments to be made for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of those Term Bonds prior to their maturity date from money in the Principal and Interest Account.

(e) The Parity Bond Authorizing Resolution shall provide for the deposit into the Reserve Account of (i) an amount, if any, necessary to fund the Reserve Requirement, if any, upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance or an amount of money plus Reserve Insurance necessary to fund the Reserve Requirement, if any, upon the issuance of those Future Parity Bonds.

(f) There shall be on file with the District either:

(i) a certificate of the General Manager, if supported by audited financial statements, demonstrating that during any twelve consecutive calendar months out of the immediately preceding 30 calendar months Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that twelve-month period was the Average Annual Debt Service for those Future Parity Bonds); or

(ii) a certificate of an Independent Utility Consultant to the effect that the Net Revenue for the five fiscal years next following the earlier of (A) the first fiscal year during which interest on those Future Parity Bonds is not fully capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are issued, or (B) the date on which substantially all new facilities financed with those Future Parity Bonds are expected to commence operations, such Net Revenue further adjusted as provided in subparagraphs (1) through (6) below, will be at least equal to the Coverage Requirement. The certificate, in estimating the Net Revenue, shall use the historical Net Revenue for any 12 consecutive months out of the 24 months immediately preceding the month of delivery of the Future Parity Bonds. That certificate may take into account the following adjustments:

- (1) Any changes in rates in effect and being charged, or rates expected to be charged in accordance with a program of specific rates, rate levels, or increases in overall rate revenue adopted by resolution;
- (2) Net revenue from customers of the System who have become customers during the 12 consecutive month period or thereafter, and his or her estimate of Net Revenue from

any customers to be connected to the System who have paid the required connection charges, adjusted to reflect one year's Net Revenue from those customers;

- (3) The additional Net Revenue that would have been received if any facility of the System which became fully operational after the beginning of such 12-month period had been so operating for the entire period;
- (4) The additional Net Revenue estimated by such Independent Utility Consultant to be received as a result of any additions, betterments, and improvements to and extensions of any facilities of the System which are (A) under construction at the time of such certificate or (B) will be constructed from the proceeds of the Future Parity Bonds to be issued;
- (5) His or her estimate of Net Revenue from customers anticipated to be served by facilities or improvements financed in substantial part by those Future Parity Bonds; and
- (6) Net Revenue from any person, firm, corporation, or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue.

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding Parity Bonds, no such coverage certification shall be required if the Annual Debt Service on all Parity Bonds to be outstanding after the issuance of the Future Parity Bonds is not, for any fiscal year in which the Parity Bonds being refunded were outstanding, more than \$5,000 over the Annual Debt Service on all Parity Bonds outstanding prior to the issuance of those Future Parity Bonds.

Nothing contained herein shall prevent the District from issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien of the Parity Bonds, or from pledging the payment of ULID assessments into a bond redemption fund created for the payment of the principal of and interest on those junior lien bonds as long as such ULID assessments are levied for improvements constructed from the proceeds of those junior lien bonds.

Section 16. Separate Utility Systems. The District may create, acquire, construct, finance, own, and operate one or more additional systems for water supply, transmission, treatment, or other commodity or service. The revenue of that separate utility system shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued



to purchase, construct, condemn, or otherwise acquire or expand the separate utility system. Neither the Gross Revenue nor the Net Revenue shall be pledged by the District to the payment of any obligations of a separate utility system except (a) as a Contract Resource Obligation upon compliance with Section 17 and/or (b) with respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

Section 17. Contract Resource Obligations. The District may at any time enter into one or more contracts or other obligations for the acquisition, from facilities to be constructed, of water supply, transmission, treatment, or other commodity or service relating to the System. The District may determine that such contract or other obligation is a Contract Resource Obligation, and may provide that all payments under that Contract Resource Obligation (including payments prior to the time that water supply, transmission, treatment, or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be Operation and Maintenance Expenses if the following requirements are met at the time such Contract Resource Obligation is entered into:

(a) No Event of Default as defined in Section 25 has occurred and is continuing.

(b) There shall be on file a certificate of an Independent Utility Consultant stating that (i) the payments to be made by the District in connection with the Contract Resource Obligation are reasonable for the supply, transmission, treatment, or other service rendered; (ii) the source of any new supply, and any facilities to be constructed to provide the supply, transmission, treatment, or other service, are sound from a water or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission or other service no later than a date set forth in the Independent Utility Consultant's certification; and (iii) the Net Revenue (further adjusted by the Independent Utility Consultant's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Net Revenue is estimated by the Independent Utility Consultant (with such estimate based on such factors as he or she considers reasonable), will be at least equal to the Coverage Requirement.

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this Section shall be deemed to prevent the District from entering into other agreements for the acquisition of water supply, transmission, treatment, or other commodity or service from existing facilities and from treating those payments as Operation and Maintenance Expenses. Nothing in this Section shall be deemed to prevent the District from entering into other agreements for the acquisition of water supply, transmission, treatment, or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

Section 18. Reimbursement Obligations. If the District elects to meet the Reserve Requirement, if any, or any portion thereof through the use of Reserve Insurance or elects to

secure any issue of Parity Bonds through the use of Bond Insurance, the District may contract with the entity providing such Reserve Insurance or Bond Insurance to the effect that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.

Section 19. Federal Income Tax Matters.

(a) Preservation of Tax Exemption for Interest on Tax-Exempt Bonds. The District covenants that it will take all actions necessary to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the District treated as proceeds of the Bonds that will cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. The District also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Tax-Exempt Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Tax-Exempt Bonds.

(b) Post-Issuance Compliance. The Designated Representative or other proper District official is authorized and directed to adopt, review, amend, and implement the District's written procedures to facilitate compliance by the District with the covenants in this Section and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes.

(c) Certain Refunding Bonds Deemed Designated as "Qualified Tax-Exempt Obligations." The Refunding Bonds, to the extent the amount of the Refunding Bonds does not exceed the amount of the Refunded Portion, shall be deemed designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code if:

(i) the average maturity date of the Refunding Bonds is not later than the average maturity date of the Refunded Portion;

(ii) the Refunding Bonds have a maturity date that is not later than the date that is 30 years after April 3, 2006 (the date the original tax-exempt obligations refunded by the Refunded Portion were issued); and

(iii) the aggregate face amount of the Series that includes the Refunding Portion does not exceed \$10,000,000.

(d) Designation of Certain Tax-Exempt Bonds as "Qualified Tax-Exempt Obligations." To the extent the Refunding Bonds are not deemed designated as "qualified tax-exempt obligations" pursuant to subsection (c) of this Section, the Designated Representative may designate a Series as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code if the following conditions are met:

(i) the Series does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(ii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation, such as Refunding Bonds that are deemed designated as “qualified tax-exempt obligations” pursuant to subsection (c) of this Section) that the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District, or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Series is issued will not exceed \$10,000,000; and

(iii) the amount of tax-exempt obligations, including the Series, designated by the District as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series is issued does not exceed \$10,000,000.

Section 20. Refunding or Defeasance of the Bonds. The District may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the “defeased Bonds”); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the District sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the “trust account”) money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund, or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this resolution and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Registered Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account, and the defeased Bonds shall be deemed no longer outstanding. In that event, the District may apply money in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the District in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this resolution for the redemption of Bonds.

If the refunding or defeasance plan provides that the defeased Bonds to be issued be secured by money and/or Government Obligations pending the redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the redemption of the defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the Coverage Requirement for the issuance of Future Parity Bonds and the annual computation of the Coverage Requirement for determining compliance with the rate covenants.

Section 21. Deposit of Bond Proceeds.

(a) Refunding. Proceeds from issuance and sale of the Refunding Bonds shall be used on the Prepayment Date to prepay the Refunded Portion. The Designated Representative is authorized and directed: (i) to determine the outstanding principal amount of the 2016 Bond, if any, to be refunded; (ii) to determine the Prepayment Date in accordance with the 2016 Bond Resolution; (iii) to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the 2016 Bond Resolution; and (iv) to take all other actions necessary to effect the redemption of the Refunded Bonds on the Prepayment Date. Prior to determining that any or all of the outstanding principal amount of the 2016 Bond is to be refunded, the Designated Representative shall determine in writing that the savings that will be effected (as measured by the difference between the principal and interest cost over the life of the Refunding Bonds and the principal and interest cost over the life of the Refunded Portion, but for such refunding) is equal to at least the percentage savings set forth in Exhibit A. In making such determination, the Designated Representative shall give consideration to the fixed maturities of the Refunding Bonds and the Refunded Portion and the costs of issuance of the Refunding Bonds. Notwithstanding the foregoing provisions of this subsection or any other provision of this resolution, the Designated Representative may determine, in lieu of the District issuing Refunding Bonds to refund the Refunded Portion, to negotiate modifications to the Refunded Portion so long as such modifications effect a savings consistent with the provisions of this resolution pertaining to refunding the Refunded Portion.

(b) Construction Fund. Proceeds from issuance and sale of all other Bonds shall be deposited in the previously created and established Capital and Construction Account of the District (the "Construction Fund") or such other funds or accounts of the District as directed by the Board and used to pay costs of the Improvements and costs of issuance and sale of the Bonds. Until needed to pay such costs, the District may invest proceeds in the Construction Fund temporarily in any legal investment for water districts under State law, and the investment earnings may be retained in the Construction Fund and be spent for the purposes of that fund except that earnings subject to a federal tax or rebate requirement may be withdrawn from the Construction Fund and used for those tax or rebate purposes. Any amounts remaining in the Construction Fund after completion of the Improvements may be used to carry out any other elements of the Comprehensive Plan or may be deposited in the Bond Fund.

Section 22. Approval of Bond Purchase Contract; Delivery of Bonds. The Designated Representative is authorized to sell each Series of the Bonds by negotiated sale or private placement, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate District officials and staff, the District's municipal and other advisors, and Bond Counsel. In determining the method of sale of a Series and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the District. The Designated Representative shall select one or more Purchasers with which to negotiate each sale. The Bond Purchase Contract for each Series shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the District, so long as the terms provided therein are consistent with the terms of this resolution. The Bonds will be prepared at District expense and will be delivered to the Purchaser

in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 23. Official Statement; Continuing Disclosure.

(a) Preliminary Official Statement Deemed Final. The Designated Representative shall review the form of the preliminary Official Statement prepared in connection with the sale of each Series to the public or through a Purchaser as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The District approves the distribution to potential purchasers of the Bonds of a preliminary Official Statement that has been approved by the Designated Representative and, if applicable, deemed final in accordance with this subsection.

(b) Approval of Final Official Statement. The District authorizes the preparation of a final Official Statement for each Series to be sold to the public or through a Purchaser as a placement agent in the form of the preliminary Official statement that has been approved and, if applicable, deemed final in accordance with subsection (a) of this Section, with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser. The District authorizes and approves the distribution by the Purchaser of the final Official Statement to purchasers and potential purchasers of the Series.

(c) Undertaking to Provide Continuing Disclosure. If necessary to meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser acting as a participating underwriter for the Series, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Series in substantially the form attached as Exhibit B.

Section 24. Amendatory and Supplemental Resolutions.

(a) Modifications and Amendments Limited. This resolution shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Section.

(b) Supplemental Resolutions without Consent. The District, from time to time, and at any time, without the consent of or notice to the Registered Owners, may adopt supplemental or amendatory resolutions as follows:

(i) To cure any formal defect, omission, inconsistency, or ambiguity in this resolution in a manner not adverse to the registered owner of any Parity Bond;

(ii) To impose upon the Registrar (with its consent) for the benefit of the Registered Owners any additional rights, remedies, powers, authority, security, liabilities, or duties that may lawfully be granted, conferred,

or imposed and that are not contrary to or inconsistent with this resolution as theretofore in effect;

(iii) To add to the covenants and agreements of, and limitations and restrictions upon, the District in this resolution, other covenants, agreements, limitations, and restrictions to be observed by the District which are not contrary or inconsistent with this resolution as theretofore in effect;

(iv) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien, or pledge created or to be created by this resolution of any other money, securities, or funds;

(v) To authorize different denominations of the Bonds and to make correlative amendments and modifications to this resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations, and similar amendments and modifications of a technical nature;

(vi) To modify, alter, amend, or supplement this resolution in any other respect which is not materially adverse to the registered owners of the Parity Bonds and which does not involve a change described in subsection (c) of this Section;

(vii) Because of change in federal law or rulings, to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes; and

(viii) To add to the covenants and agreements of, and limitations and restrictions upon, the District in this resolution, other covenants, agreements, limitations, and restrictions to be observed by the District which are requested by a provider of Reserve Insurance or Bond Insurance and which are not materially adverse to the registered owners of the Parity Bonds.

Before the Board adopts any such supplemental resolution pursuant to this subsection, there shall have been delivered to the District and the Registrar an opinion of Bond Counsel, stating that such supplemental resolution is authorized or permitted by this resolution and will, upon the execution and delivery thereof, be valid and binding upon the District in accordance with its terms, and will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

(c) Supplemental Resolutions by Consent.

(i) Except for any supplemental resolution entered into pursuant to subsection (b) of this Section, subject to the terms and provisions contained in this subsection and not otherwise, registered owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the adoption by the Board of any supplemental resolution deemed necessary or desirable by the

District for the purpose of modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms or provisions contained in this resolution; except that, unless approved in writing by the registered owners of all Parity Bonds then outstanding, nothing contained in this subsection shall permit, or be construed as permitting:

- (1) A change in the times, amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of or rate of interest on any outstanding Parity Bond, or
- (2) A preference or priority of any Parity Bond or Parity Bonds over any other Parity Bond or Parity Bonds, or
- (3) A reduction in the aggregate principal amount of Parity Bonds, the consent of the registered owners of which is required for any such supplemental resolution.

(ii) If at any time the District adopts any supplemental resolution for any of the purposes of this subsection, the Registrar shall cause notice of the proposed supplemental resolution to be given by first class United States mail to all registered owners of the Parity Bonds then outstanding, to any provider of Bond Insurance, and to each Rating Agency maintaining a rating on the Bonds at the request of the District. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that a copy thereof is on file at the office of the Registrar for inspection by all registered owners of all Parity Bonds then outstanding.

(iii) Within two years after the date of the mailing of such notice, the District may adopt such supplemental resolution in substantially the form described in such notice, but only if there shall have first been delivered to the Registrar (A) the required consents, in writing, of the registered owners of the Parity Bonds, and (B) an opinion of Bond Counsel stating that such supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon the District in accordance with its terms, and will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

(iv) If registered owners of not less than the percentage of Parity Bonds required by this subsection have consented to and approved the execution and delivery of a supplemental resolution, no owner of Parity Bonds shall have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the District or the Registrar from adopting the same or from taking any action pursuant to the provisions thereof.

(d) Consent of Registered Owners. The Registered Owner of each Bond, by taking and holding the Bond, shall be deemed to have consented to the adoption by the District of any supplemental resolution for any one or more of the following purposes:

(i) To include in the definition of “Gross Revenue” federal tax credit payments received by the District in respect of Parity Bonds;

(ii) To permit or require federal tax credit payments received or expected to be received by the District in respect of Parity Bonds in any fiscal year to be credited against amounts required to be paid in respect of principal of and interest on the Parity Bonds in that fiscal year in calculating “Annual Debt Service”;

(iii) To permit or require federal tax credit payments received in respect of Parity Bonds to be deposited into the Principal and Interest Account and credited against the Net Revenue otherwise required to be deposited into the Principal and Interest Account; and

(iv) To establish, as the “assumed bond index-based rate,” the rate that is equal to the higher of (A) the average of the SIFMA Municipal Swap Index over the 60-month period immediately preceding the date of computation and (B) the average of the SIFMA Municipal Swap Index over the 12-month period immediately preceding the date of computation.

(e) Supplemental Resolutions Binding. Upon the adoption of any supplemental resolution pursuant to the provisions of this Section, this resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this resolution of the District, the Registrar and all registered owners of Parity Bonds, shall thereafter be determined, exercised and enforced under this resolution subject in all respects to such modifications and amendments.

#### Section 25. Defaults and Remedies.

(a) Events of Default. The following shall constitute “Events of Default” with respect to the Bonds:

(i) If a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable; or

(ii) If the District defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the District set forth in this resolution or any covenants, conditions, or agreements on the part of the District contained in any Parity Bond Authorizing Resolution and such default or defaults have continued for a period of six months after the District has received from the Bondowners’ Trustee (as defined below) or from the registered owners of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the



covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the District has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy.

(iii) If the District files a petition in bankruptcy or is placed in receivership under any state or federal bankruptcy or insolvency law.

(b) Bondowners' Trustee. So long as such default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the registered owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the District. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this subsection shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the District a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the District, the Bondowners' Trustee and the registered owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

(c) Suits at Law or in Equity. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding shall, take such steps and institute such suits, actions, or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement, or condition contained in any Parity Bond Authorizing Resolution or in any of the Parity Bonds.

Nothing contained in this Section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the

remedy of acceleration is expressly denied to the registered owners of the Parity Bonds under any circumstances including, upon the occurrence and continuance of an Event of Default.

Any suit, action, or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the registered owners and all such rights of action upon or under any of the Parity Bonds or the provisions of this resolution may be enforced by the Bondowners' Trustee without the possession of any of the Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action, or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions of this resolution. The respective registered owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective registered owners of those Parity Bonds, with authority to institute any such suit, action, or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the registered owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any registered owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization, or other proceeding to which the District is a party.

(d) Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Section shall be applied in the following order of priority:

(i) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

(ii) second, to the payment to the persons entitled thereto of all installments of interest then due on the Parity Bonds in the order of maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

(iii) third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

(e) Duties and Obligations of Bondowners' Trustee. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this resolution, and no implied powers, duties, or obligations of the Bondowners' Trustee shall be read into this resolution.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Parity Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm, or corporation employed and selected by it with reasonable care.

(f) Suits by Individual Bondowners Restricted. Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any suit, action, or proceeding at law or in equity for the enforcement of same unless:

(i) a default under this resolution has happened and is continuing; and

(ii) a Bondowners' Trustee has been appointed; and

(iii) such owner previously shall have given to the Bondowners' Trustee written notice of the default on account of which such suit, action, or proceeding is to be instituted; and

(iv) the registered owners of 25% in principal amount of the Parity Bonds, after the occurrence of such default, have made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action, or proceeding; and

(v) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(vi) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his or her action to affect or impair the obligation of the District to pay from the Net Revenue the principal of and interest on the Parity Bonds to the respective registered owners thereof when due.

Section 26. Parties Interested Herein. Nothing expressed or implied in this resolution is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District and the Registered Owners, any right, remedy or claim under or by reason of this resolution or any covenant, condition, or stipulation hereof, and all covenants, stipulations, promises, and agreements in this resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the District and the Registered Owners.

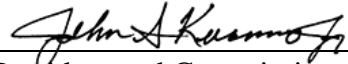
Section 27. General Authorization and Ratification. The Designated Representative and other appropriate officers of the District and Bond Counsel are individually authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this resolution and the Bond Purchase Contract, and to do everything necessary for the issuance, sale, and delivery of each Series to the Purchaser and for the proper application, use, and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

Section 28. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 29. Section Headings. The section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

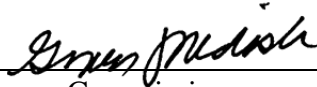
Section 30. Effective Date of Resolution. This resolution shall take effect and be in force immediately upon its adoption.

ADOPTED by the Board of Water Commissioners of Lakewood Water District, Pierce County, Washington, at an open public meeting held pursuant to Proclamation 20-28 made by the Governor of the State of Washington on March 24, 2020, as extended, and acts of the legislative leadership of the State of Washington, this 24th day of June, 2021.



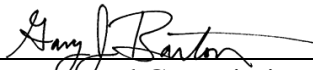
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President and Commissioner



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Commissioner



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Secretary and Commissioner

## **EXHIBIT A**

### **PARAMETERS FOR FINAL TERMS**

- (a) Principal Amount. The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$12,000,000.
- (b) Date. Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this resolution.
- (c) Denominations, Name. The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
- (d) Interest Rates. Each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.00%, and the true interest cost to the District for the Bonds may not exceed 4.00%.
- (e) Payment Dates. Interest shall be payable at fixed rates semiannually on dates acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments annually thereafter, on dates acceptable to the Designated Representative.
- (f) Final Maturity. The Refunding Bonds shall mature no later than six months after the final maturity of the Refunding Portion. All other Bonds shall mature no later than the date that is 31 years after the Issue Date.
- (g) Redemption Rights. The Designated Representative may approve in the Bond Purchase Contract provisions for the optional and mandatory redemption of Bonds, subject to the following:

(1) Optional Redemption. Any Bond may be designated

as being (A) subject to redemption at the option of the District prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Contract; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

(2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Contract.

(h) Price.

The purchase price for each Series may not be less than 95% or more than 140% of the stated principal amount of the Series.

(i) Other Terms and Conditions.

(1) Credit Enhancement. The Designated Representative may determine whether it is in the District's best interest to provide for Reserve Insurance or Bond Insurance and may accept such additional terms, conditions, and covenants and execute and deliver such agreements in connection therewith as he or she may determine are in the best interests of the District, consistent with this resolution.

(2) Parity Conditions. On the Issue Date, the Designated Representative shall establish that the Parity Conditions have been met and complied with.

(3) Tax Status. On the Issue Date, the Designated Representative shall determine whether or not each Series is to be Tax-Exempt Bonds.

(4) Minimum Savings. The Refunding Bonds shall produce a minimum net present value savings to the District and its ratepayers of at least 1.00% (as a percentage of the Refunded Portion). Net present value savings means the aggregate difference between debt service on the Refunded Portion, less debt service on the Refunding Bonds (including expenses related to costs of issuance of the Bonds), discounted to the Issue Date using the yield on the Bonds as the discount rate, plus excess cash, if any,

distributed to the District on the Issue Date, and less the amount of additional money of the District contributed to the refunding, if any, on the Issue Date.



## **EXHIBIT B**

**[Form of]**

### **UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE**

#### **Lakewood Water District, Pierce County, Washington Water Revenue [and Refunding] Bonds, [Series]**

Lakewood Water District, Pierce County, Washington (the “District”), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Resolution No. B-1469 of the District (the “Bond Resolution”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The District undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

- (i) Annual financial information and operating data of the type included in the final official statement for the Bonds, as described in paragraph (b) (“annual financial information”);
- (ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Bond holders, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, as such events are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a

financial obligation of the District, as such term is defined in Rule 15c2-12, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bond holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(iii) Timely notice of a failure by the District to provide required annual financial information described in paragraph (b)(i) on or before the date specified in paragraph (b)(ii).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the District undertakes to provide in paragraph (a):

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the District, as such principles may be changed from time to time; (2) a statement of authorized, issued, and outstanding bonded debt secured by Net Revenue; (3) debt service coverage ratios; and (4) general customer statistics for the System;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the District (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the District's fiscal year ending December 31, \_\_\_\_; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

If not submitted as part of the annual financial information described in paragraph (b)(i), the District will provide or cause to be provided to the MSRB audited financial statements, when and if available.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The District will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the District and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The District's obligations under this Undertaking shall terminate upon the legal defeasance, maturity, or prior redemption of all of the Bonds. In addition, the District's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the District to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the District, and the District provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the District learns of any failure to comply with this Undertaking, the District will proceed with due diligence to cause such noncompliance to be corrected. No failure by the District or other obligated person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the District or other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director or his or her designee is the person designated, in accordance with the Bond Resolution, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

- (i) Preparing and filing the annual financial information undertaken to be provided;
- (ii) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, if necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;
- (iii) Determining whether any person other than the District is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;
- (iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the District in carrying out this Undertaking; and
- (v) Effecting any necessary amendment of this Undertaking.

CERTIFICATION

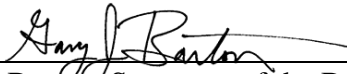
I, the undersigned, Secretary of the Board of Water Commissioners (the "Board") of Lakewood Water District, Pierce County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. B-1469 (the "Resolution") is a full, true, and correct copy of a resolution duly adopted at a regular meeting of the Board held at the regular meeting place thereof on June 24, 2021, as that resolution appears on the minute book of the District; and the Resolution is now in full force and effect.

2. A quorum of the members of the Board was present throughout the meeting and a majority of the members voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 24 day of June, 2021.

LAKWOOD WATER DISTRICT  
PIERCE COUNTY, WASHINGTON

  
\_\_\_\_\_  
Gary J. Barton, Secretary of the Board