

LAKE CHELAN RECLAMATION DISTRICT

CHELAN COUNTY, WASHINGTON

RESOLUTION NO. 2020-08

A RESOLUTION of the Board of Directors of Lake Chelan Reclamation District, Chelan County, Washington, relating to the irrigation, water, and sewer system of the District; providing for the issuance and sale of revenue bonds of the District for the purpose of providing funds to pay or reimburse all or a portion of the cost of certain capital improvements to the system and to pay the costs of issuance and sale of the bonds; fixing or setting parameters for 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 related matters.

ADOPTED July 14, 2020

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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF LAKE CHELAN RECLAMATION DISTRICT, CHELAN COUNTY, WASHINGTON, as follows:

Section 1.     Definitions. As used in this resolution, the following words shall have the following meanings:

“Annual Debt Service” means, for any Parity Bonds as of any date of calculation for any fiscal year, all amounts scheduled to be paid in that fiscal year in respect of principal of (whether upon maturity, mandatory sinking fund redemption or mandatory sinking fund prepayment) and interest on Parity Bonds. In calculating Annual Debt Service for any future fiscal year, the interest rate on each Variable Interest Rate Bond shall be assumed to equal 90% of the average Bond Buyer Revenue Bond Index (or comparable index or, if no comparable index can be obtained, 80% of the interest rate for actively traded 30-year United States Treasury obligations) during the five years preceding the date on which the calculation is made.

“Authorized Denomination” means, unless otherwise specified in the Bond Purchase Agreement, \$5,000 or any integral multiple thereof within a maturity of a Series.

“Average Annual Debt Service” means, for any Parity Bonds as of any date of calculation, the sum of the Annual Debt Service on Parity Bonds for each fiscal year during which any of those Parity Bonds are scheduled to remain outstanding divided by the integral number of those fiscal years.

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

“Board” means the Board of Directors 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 created pursuant to Section 11 for the purpose of paying the principal of and interest on 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 Agreement” 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.

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

“Contract Resource Obligation” means any obligation of the District designated as such in the resolution authorizing its execution and delivery and entered into in accordance with Section 18.

“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 Lake Chelan Reclamation District, Chelan County, Washington, an irrigation district duly organized and existing under the laws of the State.

“District Manager” means the District Manager of the District or any other officer who succeeds to substantially all of the responsibilities of that office specified in this resolution.

“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, including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption or prepayment rights, price, and other terms or covenants.

“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” means each revenue bond of the District issued after the Bonds the payment of which is secured by a lien and charge on Net Revenue on a parity with the lien and charge on Net Revenue that secure payment of the Bonds.

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

“Gross Revenue” means all assessments, rates, tolls, charges, revenues, fees, and money received by the System or its funds from any source whatsoever, including earnings on investments thereof, but does not include: (a) revenues of a Separate Utility System; (b) non-cash grants in aid of construction; (c) District levied taxes and local improvement district and utility local improvement district assessments; (d) fees and charges collected on behalf of a third party; (e) proceeds from the sale of District property; (f) proceeds of bonds or other obligations for borrowed money; (g) proceeds of liability, casualty, and other insurance payments (other than business interruption insurance); (h) earnings on any of the foregoing; or (i) earnings or proceeds from any investments in a trust, defeasance, or escrow fund created to defease or refund District obligations (until commingled with other earnings and revenues of the District) or held in a special account for the purpose of paying a rebate to the United States Government under the Code.

“Independent Utility Consultant” means (a) a licensed professional engineer, who is not an employee of the District, and who is experienced in the design, construction, and operation of municipal utilities or (b) an independent certified public accountant or utility rate consultant experienced with the development of rates and charges for utilities similar 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 substantially in the form on file with the District, 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 as of any date of calculation, the maximum Annual Debt Service on those Parity Bonds in any fiscal year during which any of those Parity Bonds are scheduled to remain outstanding.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenue” means, for any fiscal year, Gross Revenue less Operating and Maintenance Expenses, less deposits into the Rate Stabilization Account in accordance with Section 12, plus withdrawals from the Rate Stabilization Account in accordance with Section 12. In calculating Net Revenue, the District need not take into consideration any unrealized gains or losses with respect to any real or personal property, investment, agreement, pension obligation or other post-employment benefit that the District may be required to recognize under generally accepted accounting principles.

“Official Statement” means an offering document, disclosure document, private placement memorandum, or 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.

“Operating and Maintenance Expenses” means all reasonable expenses incurred by the District in causing the System to be operated and maintained in good repair, working order, and condition, including reasonable reserves therefor; payments under any Contract Resource Obligation; deposits, premiums, assessments, or other payments for insurance; payments into pension, health, and welfare funds; taxes imposed by governmental entities other than the District and payments in lieu thereof; payments made to any other public or private entity for the supply, treatment, storage, or transmission of water or for other commodities or services in respect of the System; and any other expenses of the System properly treated as operation and maintenance expenses under applicable generally accepted accounting principles; but not including: (a) depreciation or amortization; (b) capital additions or capital replacements to the System; (c) interest on indebtedness; (d) payments to any third party of fees and charges collected on behalf of the third party; (e) payments of judgments, payments in settlement of litigation, and other extraordinary, nonrecurring expenses of the System; or (f) earnings on investments held in a special account for the purpose of paying a rebate to the United States Government under the Code.

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

“Parity Bonds” means the Bonds and any Future Parity Bonds.

“Principal and Interest Account” means the account of that name in the Bond Fund.

“Projects” means improvements to the System included in the capital plans adopted by the Board from time to time, including without limitation: replacing motor control centers and making other improvements to Pumping Plants LC, A, B, C and D; replacing Pump D-3; replacing relief station control panels; acquiring pumps, motors, pump control valves and other equipment for System purposes; and making other improvements to the System.

“Purchaser” means the financial institution or other entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement or direct purchase of any Series or as underwriter or placement agent in a negotiated sale of any Series.

“Rate Stabilization Account” means the account of that name authorized to be created in Section 12.

“Rating Agency” means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the District.

“Record Date” means, unless otherwise specified in the Bond Purchase Agreement, the Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption or prepayment of a Bond prior to its maturity, Record Date means the Registrar’s close of business on the date on which the Registrar prepares the notice of redemption or prepayment.

“Registered Owner” means, with respect to a Bond, the person in whose name the Bond is registered on the Bond Register. For any Bond subject to a book-entry only system under the Letter of Representations, Registered Owner means the Securities Depository.

“Registrar” means, with respect to each Bond, the Fiscal Agent or any other bond registrar selected by the District for the Bond.

“Reserve Account” means the account of that name in the Bond Fund.

“Reserve Insurance” means any bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement device providing for all or part of the Reserve Requirement that is issued by an institution that has been assigned a credit rating at the time of issuance in one of the two highest rating categories of a nationally recognized rating agency (without regard to numeric or symbolic gradations within a rating category).

“Reserve Requirement” means, the amount for the Bonds, if any, designated as such in the Bond Purchase Agreement, which amount shall not exceed, as of any date of calculation, the least of: (a) Maximum Annual Debt Service on outstanding Parity Bonds secured by the Reserve Account; (b) 125% of Average Annual Debt Service on outstanding Parity Bonds secured by the Reserve Account; and (c) 10% of the original proceeds of each series of outstanding Parity Bonds secured by the Reserve Account, reduced by the corresponding principal amount of any such series of Parity Bonds thereafter redeemed, prepaid, or defeased at the option of the District, in whole or in part.

“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.

“Separate Utility System” means a separate utility system created, acquired, constructed, financed, owned, or operated by the District in accordance with Section 17.

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

“State” means the State of Washington.

“System” means the existing irrigation water supply, treatment, storage, transmission, and distribution system of the District, together with the domestic water and the sewerage systems of the District, as the same shall be added to, bettered, improved, extended, repaired and replaced, or combined with any other system, but does not include any Separate Utility System.

“System of Registration” means the system of registration for the Bonds set forth in Section 5.

“Term Bond” means each Bond subject to mandatory sinking fund redemption or prepayment and designated as a Term Bond in the Bond Purchase Agreement.

“Treasurer” means the Treasurer of the District or any other officer who succeeds to substantially all of the responsibilities of that office specified in this resolution.

“Undertaking” means an undertaking to provide continuing disclosure entered into pursuant to Section 22.

“Variable Interest Rate Bond” means, for any period, any Parity Bond that bears interest at a rate that is not fixed and that is determined under the resolution authorizing its issuance.

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

(a) The District is now in need of funds with which to carry out the Projects.

(b) Pursuant to applicable law, including chapters 87.28, 39.44, and 39.46 RCW, the District is authorized to issue revenue bonds to pay or reimburse costs of the Projects and to pay the costs of issuance and sale of the Bonds.

(c) For the purpose of providing the funds necessary to pay or reimburse costs of the Projects and to pay the costs of issuance and sale of the Bonds, it is in the best interests of the District and its ratepayers to issue and sell the Bonds to the Purchaser, pursuant to the terms set forth in the Bond Purchase Agreement as approved by the Designated Representative consistent with this resolution.

(d) 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 the Operating 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 when due. In creating the Bond Fund and in fixing the amounts to be paid into the Bond Fund, the Board has exercised due regard for Operating 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 Operating and Maintenance Expenses and the amount of Gross Revenue previously pledged.

Section 3. Authorization of the Bonds. The District is authorized to borrow money and issue revenue bonds evidencing indebtedness in one or more Series to provide funds necessary to pay or reimburse costs of the Projects and to pay the costs of issuance and sale of the Bonds.

Section 4. Description of the Bonds; Designated Representative. The District Manager is appointed as the Designated Representative and is 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 of 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 specified in the Bond Purchase Agreement, the Fiscal Agent is appointed as initial Registrar. The Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the District at all reasonable 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 established in this Section. 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 maturity date or date fixed for redemption or prepayment.

(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: (1) to any successor Securities Depository; (2) to any substitute Securities Depository appointed by the District; or (3) to any person as provided in this resolution 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 (1) the Securities Depository resigns and the District does not appoint a substitute Securities Depository, or (2) 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 the 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.

(e) *DTC Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the District approves the Letter of Representations. The Treasurer is authorized to execute the Letter of Representations, on behalf of the District, and to deliver it to DTC on or before the Issue Date.

Section 6. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures.* Each Bond shall be prepared in a form consistent with the provisions of this resolution and State law. Each Bond shall be signed by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile. 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 substantially 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 Lake Chelan Reclamation District, Chelan County, Washington, Revenue Bonds, 20[ ], described in Resolution No. \_\_\_\_\_ of the District." 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 7. 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. Principal of and interest on each Bond not registered in the name of the Securities Depository are 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 at the sole expense of the Registered Owner and pursuant to a request by a Registered Owner in writing received on or prior to the Record Date. The final installment of principal of each Bond not registered in the name of the Securities Depository is payable only upon presentation and surrender of the Bond by the Registered Owner to the Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Redemption and Prepayment Provisions; Purchase of Bonds.

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

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

(c) *Selection of Bonds for Redemption or Prepayment; Partial Redemption or Prepayment.* If fewer than all of the outstanding Bonds are to be redeemed or prepaid at the option of the District, the District shall select the Series and maturities to be redeemed or prepaid. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed or prepaid, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed or prepaid in accordance with the Letter of Representations, and the Registrar shall select all other Bonds to be redeemed or prepaid 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 or prepaid may be redeemed or prepaid in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed or prepaid, upon surrender of the 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 or Prepayment.* Notice of redemption or prepayment of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption or prepayment of each other Bond, unless waived by the Registered Owner or otherwise specified in the Bond Purchase Agreement, shall be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption or prepayment 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 or prepayment 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 Treasurer shall determine, but these additional mailings shall not be a condition precedent to the redemption or prepayment of any Bond.

(e) *Rescission of Optional Redemption or Prepayment Notice.* In the case of an optional redemption or prepayment, the notice of redemption or prepayment may state that the District retains the right to rescind the redemption or prepayment notice and the redemption or prepayment by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption or prepayment. Any notice of optional redemption or prepayment that is so rescinded shall be of no effect, such rescission shall not constitute a default under this resolution, and each Bond for which a notice of optional redemption or prepayment has been rescinded shall remain outstanding.

(f) *Effect of Redemption or Prepayment Notice.* Interest on each Bond so called for redemption or prepayment shall cease to accrue on the date fixed for redemption or prepayment, unless either the notice of optional redemption or prepayment is rescinded as set forth above, or money sufficient to effect such redemption or prepayment 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 9. Failure to Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption or prepayment, the District shall, unless otherwise provided in the Bond Purchase Agreement, be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption or prepayment until the 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 the call to the Registered Owner.

Section 10. Application of Bond Proceeds. The proceeds received from the sale of the Bonds shall be deposited in the fund or account of the District designated by the Treasurer and used to carry out the Projects and to pay the costs of issuance and sale of the Bonds. Until needed to pay such costs, the District may invest the proceeds of the Bonds in any legal investment, and the investment earnings may be used to carry out the Projects or for use in accordance with the flow of funds set forth in Section 14.

Section 11. Bond Fund.

(a) The Bond Fund is hereby created, to be drawn upon for the sole purpose of paying the principal of and interest on Parity Bonds. The Bond Fund is divided into two accounts: a Principal and Interest Account and a Reserve Account. The District shall set aside and pay into the Bond Fund, out of Net Revenue, certain fixed amounts without regard to any fixed proportion of Gross Revenue, namely:

(1) Into the Principal and Interest Account the amounts necessary, taking into account other money on deposit therein, to pay the principal of and interest on Parity Bonds when due; and

(2) Into the Reserve Account (except as otherwise expressly provided in this resolution) the amounts necessary, taking into account other money on deposit therein, to make the amount in the Reserve Account equal to the Reserve Requirement.

(b) When the total amount available in the Bond Fund equals the total amount of principal and interest due on all outstanding Parity Bonds, no further payment need be made into the Bond Fund. If the District fails to set aside and pay into the Bond Fund the amounts set forth above, the registered owner of any outstanding Parity Bond may bring an action against the District to compel such setting aside and payment.

(c) Except as otherwise expressly provided in this resolution, the amount in the Reserve Account shall be maintained at the Reserve Requirement at all times. The District may provide for all or any part of the Reserve Requirement through Reserve Insurance, and the amount available to be drawn under any Reserve Insurance shall be credited against the Reserve Requirement. If there is a deficiency in the Principal and Interest Account to pay when due the principal of or interest on any Parity Bond secured by the Reserve Account, the deficiency shall be made up from the Reserve Account first, by the withdrawal of money therefrom and second, by pro rata draws on each Reserve Insurance. Any deficiency in the Reserve Account resulting from a withdrawal or draw shall be made up within no more than 12 months in approximately equal monthly installments in accordance with the flow of funds set forth in Section 14, first, to reinstate each Reserve Insurance, pro rata, and second, to make up any remaining deficiency. The money in the Reserve Account may be used to pay principal of and interest on the last outstanding Parity Bonds secured by the Reserve Account.

(d) Money in the Bond Fund may be held uninvested or invested in legal investments. Earnings from investments in the Principal and Interest Account shall be retained therein. Earnings from investments in the Reserve Account shall be retained therein until the amount therein is equal to the Reserve Requirement and thereafter shall be credited to the Principal and Interest Account.

(e) The Reserve Account shall be valued at least once each fiscal year, and may be valued more frequently, including upon issuance, redemption, prepayment, or defeasance of Parity Bonds and upon crediting Reserve Insurance to the Reserve Account. In valuing the Reserve Account, Reserve Insurance shall be valued at the amount available to be drawn thereon, and all other investments shall be valued at market. Any excess in the Reserve Account resulting from a valuation may be withdrawn from the Reserve Account and credited to the Principal and Interest Account or used in accordance with the flow of funds set forth in Section 14. Any deficiency in the Reserve Account resulting from a valuation shall be made up within no more than six months in approximately equal monthly installments in accordance with the flow of funds set forth in Section 14.

(f) The District may establish one or more separate reserve subaccounts for any or all Parity Bonds, and money in a reserve subaccount or Reserve Insurance credited to the reserve subaccount shall be used only to pay principal of and interest on the Parity Bonds secured by the reserve subaccount.

(g) The District may provide for the purchase, redemption, prepayment, or defeasance of Parity Bonds by the use of money on deposit in any account in the Bond Fund so long as there

is no deficiency in any account in the Bond Fund for the Parity Bonds that are to remain outstanding.

(h) Notwithstanding any other provision of this Section, any investment earnings that are subject to a federal tax or rebate requirement may be withdrawn from the Bond Fund for deposit in a separate fund or account and used for that purpose.

Section 12. Rate Stabilization Account. The District is authorized to create the Rate Stabilization Account in the general fund or other fund of the District designated by the Treasurer. The District may at any time, consistent with the flow of funds set forth in Section 14, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the System available to be used therefor, excluding proceeds of bonds or other obligations. The District may at any time withdraw money from the Rate Stabilization Account for use in accordance with the flow of funds set forth in Section 14. Deposits in the Rate Stabilization Account shall reduce Net Revenue for the fiscal year in which the deposit is made or, at the option of the District, for the preceding fiscal year if the deposit is made within three months after the end of the preceding fiscal year. Withdrawals from the Rate Stabilization Account shall increase Net Revenue for the fiscal year in which the withdrawal is made or, at the option of the District, for the preceding fiscal year if the withdrawal is made within three months after the end of the preceding fiscal year.

Section 13. Pledge of Net Revenue and Lien Position of Parity Bonds. The Net Revenue is pledged to be paid into the Bond Fund at the times and in the manner required by this resolution for the payment of principal of and interest on Parity Bonds when due. This pledge constitutes a lien and charge upon such Net Revenue prior and superior to any other charges whatsoever.

Section 14. Flow of Funds. The Gross Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay Operating and Maintenance Expenses when due;
- (b) To pay interest on Parity Bonds when due;
- (c) To pay principal of Parity Bonds when due, whether at maturity or pursuant to mandatory sinking fund redemption or prepayment;
- (d) To make payments when due under any reimbursement agreement entered into in connection with Bond Insurance;
- (e) To make required payments into the Reserve Account and to make payments when due under any reimbursement agreement entered into in connection with Reserve Insurance;
- (f) To make required payments into any revenue bond, note, warrant, or other revenue obligation fund, debt service account, or reserve account created to pay or secure the payment of any revenue bonds, notes, warrants, or other revenue obligations of the District secured by a lien and charge on Net Revenue subordinate to the lien and charge that secure payment of the Parity Bonds, in any priority that the District may establish by resolution; and

(g) To retire by redemption or prepayment or purchase any outstanding revenue bonds, notes, warrants, or other revenue obligations of the District, to make necessary additions, betterments, improvements, extensions, and repairs and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful System purposes, in any priority that the District may establish by resolution.

The District may transfer any money from any funds or accounts of the System legally available therefor to make payments required to be made into the Bond Fund.

Section 15. Covenants. The District covenants and agrees with each Registered Owner as follows:

(a) *Establishment and Collection of Rates and Charges.* The District will establish, maintain, and collect rates and charges for services provided by the System that will be fair and equitable, and will adjust those rates and charges from time to time so that:

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

(2) The Net Revenue in each fiscal year will be not less than 1.25 times Annual Debt Service for all outstanding Parity Bonds in that fiscal year.

The failure of the District to comply with the requirements of this subsection shall not be a default under this resolution if the District promptly retains an Independent Utility Consultant to recommend to the Board adjustments in the rates and charges of the System necessary to satisfy the requirements of this subsection and the Board adopts such recommendations within six months after the date the failure became known to the Board.

(b) *Maintenance and Operation.* The District will at all times maintain and keep the System in good repair, working order, and condition, and will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Sale or Disposition of the System.*

(1) The District will not sell or otherwise dispose of or permit the disposal of the System in its entirety (whether by operation of law or otherwise) unless, simultaneously with such sale or other disposition, all Parity Bonds are redeemed, prepaid, or defeased pursuant to the provisions of this resolution.

(2) The District may, without making any deposit into the Bond Fund, sell or otherwise dispose of any of the works, plant, properties, or facilities of the System or any real or personal property comprising a part of the System that has become unserviceable,

inadequate, obsolete, or unfit to be used in the operation of the System, or no longer necessary, material to, or useful to the operation of the System.

(3) The District may, without making any deposit into the Bond Fund, sell or otherwise dispose of any of the works, plant, properties, or facilities of the System or any real or personal property comprising a part of the System in an aggregate amount not to exceed, in the fiscal year in which part of the System is sold or disposed of, five percent of the fair market value of the entire System immediately prior to such sale or disposition. (By way of illustration and without limiting the foregoing, if in year 10 the fair market value of the System is 10,000, the District may sell part of the System in year 10 with a fair market value not to exceed 500 without making any deposit into the Bond Fund, and if in year 11 the fair market value of System is 9,500, the District may sell part of the System in year 11 with a fair market value not to exceed 475 without making any deposit into the Bond Fund.)

(4) The District will not otherwise sell, lease, mortgage, or in any manner encumber or otherwise dispose of or permit the disposal of any part of the System (whether by operation of law or otherwise) that is used, useful, or material in the operation of the System, unless provision is made for the replacement thereof or for payment into the Bond Fund of the greatest of the following:

(A) An amount that bears the same proportion to the net amount of outstanding Parity Bonds (defined as the total amount of outstanding Parity Bonds less the amount of money in the Bond Fund) that the Gross Revenue for the preceding fiscal year from the portion of the System sold or disposed of bears to the total Gross Revenue for the preceding fiscal year; or

(B) An amount that bears the same proportion to the net amount of outstanding Parity Bonds (as defined above) that the Net Revenue for the preceding fiscal year from the portion of the System sold or disposed of bears to the total Net Revenue for the preceding fiscal year; or

(C) An amount that bears the same proportion to the net amount of outstanding Parity Bonds (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

If the District is assumed by or merged or consolidated with a municipal corporation or other public or private entity other than any other irrigation district under the provisions of Title 87 RCW or successor statutes, then any outstanding Parity Bonds immediately shall be retired or defeased in accordance with their terms.

(d) *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 or another independent certified public accountant. 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 fiscal year.

(e) *Insurance.* The District at all times will carry fire and extended coverage, public liability, 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 similar systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of similar 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 registered owners of Parity Bonds against loss.

(f) *No Free Service.* Except in aid of the poor or infirm, the District will not furnish service to any customer whatsoever free of charge, and the District shall promptly take such action as may be practicable to enforce collection of all collectible delinquent accounts.

Section 16. Future Parity Bonds. The District may issue Future Parity Bonds only if the following conditions are satisfied at the time of issuance:

(a) There is no deficiency in the Bond Fund and no default under this resolution or any other resolution authorizing the issuance of Parity Bonds has occurred and is continuing.

(b) The resolution authorizing the issuance of the Future Parity Bonds provides for the payment of the principal thereof and interest thereon out of the Bond Fund.

(c) The resolution authorizing the issuance of the Future Parity Bonds provides for the satisfaction of the Reserve Requirement, if any, for the Future Parity Bonds.

(d) There has been delivered either:

(1) a certificate of the District Manager, demonstrating that during any twelve consecutive months out of the preceding 30 months Net Revenue is not less than 1.25 times Maximum Annual Debt Service for all Parity Bonds to be outstanding upon issuance of the Future Parity Bonds; or

(2) a certificate of an Independent Utility Consultant demonstrating that in his or her professional opinion the adjusted Net Revenue for any twelve consecutive months out of the preceding 30 months is not less than 1.25 times Maximum Annual Debt Service for all Parity Bonds to be outstanding upon issuance of the Parity Bonds. The Independent Utility Consultant's certificate, in estimating adjusted Net Revenue, may adjust Net Revenue to reflect:

(A) The additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of the certificate and subsequent to the beginning of the twelve-month period had been in force during the entire twelve-month period;

(B) The additional Net Revenue that would have been received if any facility of the System that became fully operational after the beginning of the twelve-month period had been fully operational during the entire twelve-month period;

(C) The additional Net Revenue that would have been received as a result of any additions, betterments, improvements, extensions, and repairs and replacements of the System that are (i) under construction on the date of the certificate or (ii) will be constructed from the proceeds of the Future Parity Bonds; and

(D) The additional Net Revenue that would have been received if any customers added to the System after the beginning of the twelve-month period had been customers during the entire twelve-month period.

Certification of coverage of debt service on Future Parity Bonds issued for the purpose of refunding outstanding Parity Bonds is not required if the Annual Debt Service on the Future Parity Bonds is not more than the Annual Debt Service on the Parity Bonds to be refunded in each fiscal year that the Future Parity Bonds are scheduled to remain outstanding.

Nothing in this Section prevents the District from issuing Future Parity Bonds to refund maturing Parity Bonds then outstanding, money for the payment of which is not otherwise available.

Nothing in this Section prevents the District from issuing any revenue bond, note, warrant, or other revenue obligation secured by a lien and charge on Net Revenue subordinate to the lien and charge that secure payment of the Parity Bonds.

Section 17. Separate Utility Systems. The District may create, acquire, construct, finance, own, and operate one or more additional systems for irrigation water supply, domestic water supply, sewer service, water or wastewater transmission, storage, treatment or other utility commodity, service, or facilities (each, a “Separate Utility System”). The revenue of a Separate Utility System shall not be included in 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 to the payment of any obligations of a Separate Utility System except (a) as a Contract Resource Obligation in accordance with Section 18, or (b) with respect to the Net Revenue, either (1) as a Future Parity Bond in accordance Section 16 or (2) on a basis subordinate to the lien and charge on Net Revenue that secure payment of the Parity Bonds.

Section 18. Contract Resource Obligations.

(a) The District may enter into one or more contracts or other obligations for the acquisition of irrigation water supply, domestic water supply, sewer service, water or wastewater transmission, storage, treatment, or other utility 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 the Contract Resource Obligation (including payments

prior to the time the commodity or service becomes available and payments when the commodity or service has been suspended or terminated) are Operating and Maintenance Expenses if the following requirements are satisfied at the time the Contract Resource Obligation is entered into:

(1) No default under this resolution or any other resolution authorizing the issuance of Parity Bonds has occurred and is continuing;

(2) An Independent Utility Consultant has delivered a certificate stating that (A) the payments to be made by the District in connection with the Contract Resource Obligation are reasonable for the commodity or service being provided; (B) the acquisition of the commodity or service is technically and economically feasible in accordance with prudent utility practice, and is likely to become available no later than the date set forth in the certificate; and (C) the Net Revenue (taking into consideration the payments estimated to be required under the Contract Resource Obligation) for the five fiscal years following the fiscal year in which the Contract Resource Obligation becomes effective, as such Net Revenue is estimated by the Independent Utility Consultant (such estimate being based on factors deemed by the Independent Utility Consultant to be reasonable), will be not less than 1.25 times Annual Debt Service for all outstanding Parity Bonds in each such fiscal year; and

(3) The payments required to be made under the Contract Resource Obligation are not subject to acceleration.

(b) Nothing in this Section prevents the District from entering into other agreements for the acquisition of irrigation water supply, domestic water supply, sewer service, water or wastewater transmission, storage, treatment, or other utility service or commodity from existing facilities and from treating payments for such commodity or service as an Operating and Maintenance Expenses. Nothing in this Section prevents the District from entering into other agreements for the acquisition of irrigation water supply, domestic water supply, sewer service, water or wastewater transmission, storage, treatment, or other utility service or commodity from facilities to be constructed and from agreeing to make payments with respect thereto so long as the payments for such commodity or service are secured by a lien and charge on Net Revenue subordinate to the lien and charge that secure payment of the Parity Bonds.

#### Section 19. Tax Matters.

(a) *Preservation of Tax Exemption for Interest on Bonds.* The District will take all actions necessary to prevent interest on the 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 Bonds to be included in gross income for federal income tax purposes. The District will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

(b) *Post-Issuance Compliance.* The Treasurer is authorized and directed to review, update, 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 Bonds from being included in gross income for federal tax purposes.

(c) *Designation of Bonds as “Qualified Tax-Exempt Obligations.”* A Series may be designated as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

- (1) the Series does not constitute “private activity bonds” within the meaning of Section 141 of the Code;
- (2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) 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 year in which the Series is issued will not exceed \$10,000,000; and
- (3) 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 year in which the Series is issued does not exceed \$10,000,000.

Section 20. Refunding or Defeasance of 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 or prepaying 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, prepayment, or defeasance (the “trust account”), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, prepay, 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 remaining in any fund or account (other than the trust account) established for the payment, redemption, or prepayment 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 or prepayment of Bonds.

Section 21. Sale and Delivery of the Bonds. The Designated Representative is authorized to sell each Series by negotiated sale, direct purchase, or private placement, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate District officials and staff, Bond Counsel, and other advisors. 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 is authorized and directed to execute and deliver agreements with such advisors as the Designated Representative deems to be in the best interest of the District in selling each Series, including engaging financial advisors, bond counsel, underwriters, registrars, rating agencies, printers, and electronic distribution platforms. The Board ratifies and confirms the execution and delivery of any such agreement 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. The Designated Representative shall select one or more Purchasers with which to negotiate the sale. The Bond Purchase Agreement for each Series shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Agreement 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 Agreement, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 22. Official Statement; Continuing Disclosure.

(a) *Preliminary Official Statement.* The Designated Representative shall review and, if acceptable to him or her, approve the preliminary Official Statement prepared in connection with each sale of a 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, if applicable, the Designated Representative is authorized to deem the 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 Series of a preliminary Official Statement that has approved by the Designated Representative and been deemed final, if applicable, in accordance with this subsection.

(b) *Final Official Statement.* The District approves the preparation of a final Official Statement prepared in connection with each sale of a Series to the public or through a Purchaser as a placement agent, in the form of the preliminary Official Statement that has been approved and 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 the final Official Statement to the Purchaser if required under Rule 15c2-12 or the Bond Purchase Agreement. The District authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivered 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 a 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 to this resolution as Exhibit B. The Treasurer is authorized and directed to review, update, and implement the District's written procedures to facilitate compliance by the District with the provisions of this Section and the applicable requirements of the Undertaking and Rule 15c2-12.

Section 23. Amendatory and Supplemental Resolutions. This resolution shall not be modified or amended in any respect subsequent to the issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Section.

(a) The District, from time to time, and at any time, without the consent of or notice to the Owners, may adopt supplemental resolutions as follows:

(1) To cure any formal defect, omission, inconsistency, or ambiguity in this resolution in a manner not materially adverse to the interests of registered owners of Parity Bonds;

(2) To grant, confer, or 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;

(3) 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 that are not contrary or inconsistent with this resolution as theretofore in effect;

(4) 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;

(5) To modify, alter, amend, or supplement this resolution in any other respect that is not materially adverse to the interests of the registered owners of the Parity Bonds;

(6) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on the tax-exempt Parity Bonds from federal income taxation; and

(7) 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 in connection with the acquisition of Bond Insurance or Reserve Insurance and which are not materially adverse to the interests of registered owners of Parity Bonds.

Before the District adopts any such supplemental resolution pursuant to this subsection (a), there shall have been delivered to the District and the Registrar a copy of such supplemental resolution and 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 from gross income for federal income tax purposes of interest on the Bonds.

(b) In addition to a supplemental resolution adopted pursuant to subsection (a) of this Section, and subject to the terms and conditions of subsection (c) of this Section, the District may, upon the consent of registered owners of not less than 50% in aggregate principal amount of Parity

Bonds then outstanding, consent to and approve any supplemental resolution modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms or provisions contained in this resolution if the following conditions are satisfied within two years prior to the adoption of the supplemental resolution:

(1) The Registrar causes notice of the proposed supplemental resolution to be provided in electronic format through the Electronic Municipal Market Access or other website then authorized by the MSRB for the Undertaking, or given by first-class mail, postage prepaid, as necessary or required, to all registered owners of Parity Bonds, to any provider of Bond Insurance or Reserve Insurance, and to each nationally recognized rating agency then maintaining a rating on Parity 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 Parity Bonds.

(2) There have been delivered to the Registrar (A) the required consents, in writing, of the registered owners of 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 from gross income for federal income tax purposes of interest on the Bonds.

(c) Without the consent of the registered owners of all outstanding Parity Bonds as herein provided, no supplemental resolution may 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 or prepayment price of any outstanding Parity Bond, or a change in the method of determining the rate of interest thereon; or (2) a preference of priority of any Parity Bond over any other Parity Bond; or (3) a reduction in the aggregate principal amount of Parity Bonds, the consent of the registered owners of which is required for the adoption of any such supplemental resolution.

(d) 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 amendatory or supplemental resolution for the following purposes in respect of Assessment Bonds, where "Assessment Bonds" means the portion of outstanding Parity Bonds equal to the outstanding amount of nondelinquent utility local improvement district assessments pledged to be paid into the Bond Fund: (1) to exclude from the definition of "Gross Revenue" utility local improvement district assessments pledged to be paid into the Bond Fund; (2) with respect to the covenant to establish, maintain, and collect rates and charges for services provided by the System, to provide that utility local improvement district assessments pledged to be paid into the Bond Fund in each fiscal year will be not less than 1.0 times Annual Debt Service for all outstanding Assessment Bonds in that fiscal year; (3) for purposes of the issuance of Future Parity Bonds, to provide that utility local improvement district assessments pledged to be paid into the Bond Fund are not less than 1.0 times Maximum Annual Debt Service for all Assessment Bonds upon issuance of the Future Parity Bonds; and (4) for purposes of entering into any Contract Resource Obligation, to provide that utility local improvement district assessments pledged to be paid into the Bond Fund for the five fiscal years following the fiscal year in which the Contract Resource Obligation becomes effective,

will be not less than 1.0 times Annual Debt Service for all outstanding Assessment Bonds in each such fiscal year.

(e) An underwriter of Parity Bonds, either in its capacity as an underwriter or remarketing agent, or as agent for or in lieu of registered owners of Parity Bonds, may consent to the adoption of a supplemental resolution.

(f) Registered owners of Parity Bonds may be deemed to have notice of and have consented to the adoption of any supplemental resolution so long as (1) the resolution authorizing the issuance of the Parity Bonds includes the nature of the proposed supplemental resolution and states that registered owners of the Parity Bonds will be deemed to have consented to its adoption and (2) the preliminary official statement, if any, and official statement, if any, for the Parity Bonds includes the nature of the proposed supplemental resolution and states that registered owners of the Parity Bonds will be deemed to have consented to its adoption.

(g) If registered owners of not less than the percentage of Parity Bonds required by this Section have consented to the adoption of a supplemental resolution as herein provided, 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.

(h) 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 owners of Parity Bonds shall thereafter be determined, exercised, and enforced under this resolution subject in all respects to such modifications and amendments.

Section 24. General Authorization and Ratification. The President of the Board, Secretary of the Board, District Manager, and Treasurer are each 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 to do everything necessary for the prompt delivery of each Series to the Purchaser thereof 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 25. 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, holds 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. 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.

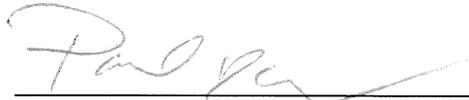
Section 26. Effective Date. This resolution shall take effect and be in force immediately upon its adoption.

ADOPTED by the Board of Directors of Lake Chelan Reclamation District, Chelan County, Washington, at a regular open public meeting held this 14<sup>th</sup> day of July, 2020, the following Directors being present and voting.

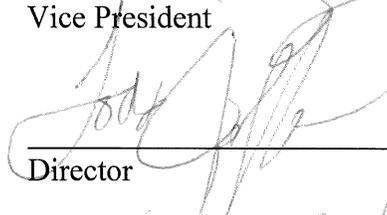
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CHELAN COUNTY, WASHINGTON



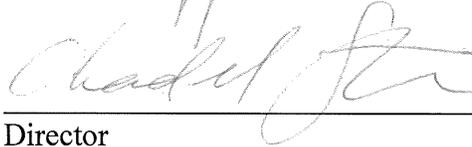
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President



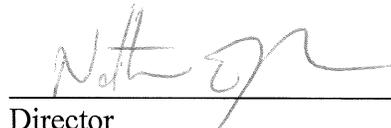
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Vice President



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Director

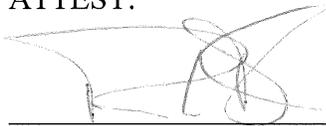


\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

ATTEST:



\_\_\_\_\_  
Secretary-Manager

## 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 \$10,000,000.
- (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 determined necessary or appropriate by the Designated Representative.
- (d) Interest Rates. Each Bond shall bear interest at a fixed rate per annum (computed, unless otherwise specified in the Bond Purchase Agreement, 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 each Series may not exceed 4.00%.
- (e) Payment Dates. Interest shall be payable on dates acceptable to the Designated Representative (“interest payment dates”), commencing on the date selected by the Designated representative that is no later than one year following the Issue Date. Principal payments shall commence on any interest payment date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption or prepayment installments in any amounts and on any interest payment dates acceptable to the Designated Representative.
- (f) Final Maturity. Each Series shall mature no later than the date that is 26 years after the Issue Date.

- (g) **Redemption and Prepayment Rights.**
- (1) Optional Redemption or Prepayment. Any Bond may be designated as being (A) subject to redemption or prepayment at the option of the District prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Agreement; or (B) not subject to redemption or prepayment prior to its maturity date. If a Bond is subject to optional redemption or prepayment prior to its maturity, it must be subject to such redemption or prepayment on one or more dates occurring not more than 10½ years after the Issue Date.
  - (2) Mandatory Redemption or Prepayment. Any Bond may be designated as a Term Bond, subject to mandatory redemption or prepayment prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Agreement.
- (h) **Price.** The purchase price for each Series may not be less than 95% or more than 135% 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 Bond Insurance or Reserve 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) Reserve Requirement. The Designated Representative shall determine the Reserve Requirement for each Series.
  - (3) Additional Actions. The Designated Representative is authorized to take such additional action as may be necessary or convenient for the issuance of Bond pursuant to the terms of this resolution.

## EXHIBIT B

### FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Lake Chelan Reclamation District  
Chelan County, Washington  
Revenue Bonds, 20[ ]

Lake Chelan Reclamation District, Chelan County, Washington (the “District”), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the “Bonds”) issued pursuant to the District’s Resolution No. 2020-08, adopted by the Board of Directors of the District on July 14, 2020 (the “Bond Resolution”), 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 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 and described in paragraph (b)(i) (“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, Notice 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 holders of the Bonds, 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 “Bankruptcy 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

or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term “financial obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12; and

- (iii) Timely notice of a failure by the District to provide the 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 and as permitted by State law; (2) a statement of authorized, issued and outstanding debt secured by Net Revenue; (3) [general customer statistics, which may be cross referenced to sections of the Official Statement, when available];
  - (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, 2019; 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) above, 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 redemption or legal defeasance 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 or other counsel familiar with federal securities laws 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 Treasurer, or such other District official who may in the future perform the duties of that office, is the individual designated 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 in paragraph (a)(i);
- (ii) Determining whether any failure to provide the annual financial information undertaken to be provided in paragraph (a)(i) has occurred and providing any notice undertaken to be provided in paragraph (a)(iii);
- (iii) Determining whether any event specified in items (1)-(16) of paragraph (a)(ii) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any notice undertaken to be provided in paragraph (a)(ii) of its occurrence;
- (iv) 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;
- (v) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the District in carrying out this Undertaking; and
- (vi) Effecting any necessary amendment of this Undertaking.

CERTIFICATION

I, the undersigned, President of the Board of Directors (the "Board") of Lake Chelan Reclamation District, Chelan County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 2020-08 (the "Resolution") is a full, true, and correct copy of the Resolution duly adopted at a regular meeting of the Board held on July 14, 2020 (the "Meeting"), as that Resolution appears on the minute book of the District; and the Resolution is now in full force and effect;

2. Pursuant to various proclamations and orders issued by the Governor of the State of Washington, (a) the Meeting was not conducted in person and (b) options were provided for the public to attend the Meeting remotely, including by telephonic access and, as available, internet access, which options provided the ability for all persons attending the Meeting remotely to hear each other at the same time; and

3. The Meeting was duly convened and held in all respects in accordance with law, the public was notified of the access options for remote attendance via the District's website, a quorum was present throughout the meeting through telephonic and/or internet means of remote access, and a sufficient number of members of the Board so present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 14<sup>th</sup> day of July, 2020.

LAKE CHELAN RECLAMATION DISTRICT,  
CHELAN COUNTY, WASHINGTON



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David Clark, President