

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON
RESOLUTION NO. 2014-03

A RESOLUTION of the Board of Commissioners of Southwest Suburban Sewer District, King County, Washington, relating to the finances of the district and providing for the issuance, sale and delivery of not to exceed \$12,000,000 aggregate principal amount of sewer revenue improvement and refunding bonds to provide the funds necessary to (a) pay the costs of certain improvements, including a new sewer maintenance facility and administration building, (b) fund the reserve requirement, (c) refund all or a portion of the District's outstanding Sewer Revenue and Refunding Bonds, 2004, and Sewer Revenue Bonds, 2005 and (d) pay the costs of issuance and sale of the bonds; fixing the 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; amending the District's post-issuance compliance policies and procedures; and providing for other related matters.

ADOPTED APRIL 15, 2014

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** The cover page, table of contents and section captions of this resolution are for convenience of reference only, and shall not be used to resolve any question of interpretation of this resolution.*

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A RESOLUTION of the Board of Commissioners of Southwest Suburban Sewer District, King County, Washington, relating to the finances of the district and providing for the issuance, sale and delivery of not to exceed \$12,000,000 aggregate principal amount of sewer revenue improvement and refunding bonds to provide the funds necessary to (a) pay the costs of certain improvements, including a new sewer maintenance facility and administration building, (b) fund the reserve requirement, (c) refund all or a portion of the District's outstanding Sewer Revenue and Refunding Bonds, 2004, and Sewer Revenue Bonds, 2005 and (d) pay the costs of issuance and sale of the bonds; fixing the 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; amending the District's post-issuance compliance policies and procedures; and providing for other related matters.

WHEREAS, Southwest Suburban Sewer District, King County, Washington (the "District") maintains and operates a sewer system and all improvements and betterments thereto; and

WHEREAS, pursuant to Resolution No. 2006-13, adopted on April 18, 2006, the Board of Commissioners of the District (the "Board") adopted a comprehensive plan of improvements for the District's sewer system (the "System," as further defined below) that includes certain improvements, including a new sewer maintenance facility and administration building (the "Improvements") and the District is now in need of funds with which to finance the Improvements; and

WHEREAS, pursuant to Resolution No. 2004-16, the District issued its \$960,000 par value Sewer Revenue and Refunding Bonds, 2004 (the "2004 Bonds"), for the purpose of providing the funds necessary to (i) carry out a current refunding of the District's outstanding Sewer Revenue Refunding Bonds, 1993, (ii) construct certain sewer improvements, including installation of sanitary sewer lines in Utility Local Improvement District No. 63-R; and (iii) pay the costs of issuance of the 2004 Bonds, and by that resolution reserved the right to redeem the 2004 Bonds prior to their maturity on May 1, 2014, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$270,000 par value of 2004 Bonds maturing on May 1 of each of the years 2014 through 2019, inclusive, and bearing various interest rates from 4.45% to 4.95% and the District wishes to carry out the current refunding of those 2004 Bonds maturing on May 1 in the years 2015 through 2019, inclusive (the "2004 Refunding Candidates"); and

WHEREAS, pursuant to Resolution No. 2005-12, the District issued its \$2,000,000 par value Sewer Revenue Bonds, 2005 (the "2005 Bonds"), for the purpose of providing the funds

necessary to carry out capital improvements to the System and pay the costs of issuance of the 2005 Bonds, and by that resolution reserved the right to redeem the 2005 Bonds prior to their maturity on May 1, 2015, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$1,125,000 par value of 2005 Bonds maturing on May 1 of each of the years 2014 through 2017, inclusive, and 2020, and bearing various interest rates from 3.75% to 4.05% and the District wishes to advance refund those 2005 Bonds maturing on May 1 in the years 2015 through 2017, inclusive and 2020 (the “2005 Refunding Candidates,” and together with the 2004 Refunding Candidates, the “Refunding Candidates”); and

WHEREAS, after due consideration, it appears to the Board that the Refunding Candidates may be refunded by the issuance and sale of the sewer revenue improvement and refunding bonds authorized herein (the “Bonds”) so that a substantial savings will be effected by the difference between the principal and interest cost over the life of the Bonds allocated to the refundings and the principal and interest cost over the life of the Refunding Candidates but for such refundings, which refundings will be effected by carrying out the Refunding Plan (defined below); and

WHEREAS, to effect the refundings in the manner that will be most advantageous to the District it is found necessary and advisable that certain Acquired Obligations (defined below) bearing interest and maturing at such time or times as necessary to carry out the Refunding Plan be purchased out of a portion of the proceeds of the Bonds and other money of the District, if necessary; and

WHEREAS, for the purpose of providing the funds necessary to (a) pay the costs of the Improvements, (b) fund the reserve requirement, (c) carry out the Refunding Plan and (d) pay the costs of issuance and sale of the Bonds, the Board finds that it is in the best interests of the District and its ratepayers to issue and sell the Bonds in one or more series, pursuant to the Final Terms set forth in a Bond Purchase Agreement (defined below), as approved by the District’s Designated Representative (defined below), consistent with this resolution; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of Southwest Suburban Sewer District, King County, Washington, as follows:

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

“Acquired Obligations” means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

“Adjusted Net Revenue” means the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of any proposed Future Parity Bonds as adjusted in accordance with Section 14 hereof.

“Annual Debt Service” means the amount required to be paid in a calendar year for (1) interest on all Parity Bonds then outstanding, (2) principal of all Parity Bonds then outstanding but excluding any outstanding Term Bonds and (3) payments for the mandatory sinking fund redemption of outstanding Term Bonds.

“Assessments” means assessments or installments thereof levied in any ULID and shall include interest and any penalties thereon; provided, however, that such Assessments shall not include Assessment principal collected in any ULID within the 30-day period permitted by law for payment without interest to the extent that such principal is applied to costs of the improvements for which such ULID was created. **“Assessment Income”** means the amounts which are collected on account of the principal of and interest and any penalties on Assessments. **“Assessment Payment Period”** means the period during which any Assessment may be paid without becoming delinquent. As used hereinafter unless specifically indicated otherwise, **“Assessments,”** **“Assessment Income”** and **“Assessment Payment Period”** shall apply only to assessments in utility local improvement districts where such assessments are pledged to be paid into the Bond Fund.

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

“Average Annual Debt Service” means the total Annual Debt Service on the then outstanding Parity Bonds divided by the number of calendar years (counting any partial year as a fraction of a calendar year) to the last maturity or mandatory redemption date thereof. In the event the District has any Parity Bond outstanding on any May 15 or November 15 which does not bear a fixed interest rate to the maturity thereof, the Annual Debt Service shall be calculated in the manner set forth in Section 12(b) of this resolution.

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

“Board” means the Board of Commissioners of the District as the same shall be duly and regularly constituted from time to time.

“Bond Counsel” means the firm of Foster Pepper PLLC, 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 “Southwest Suburban Sewer District Revenue Bond Fund 2004” created by Resolution No. 2004-16 for the payment of principal of, mandatory sinking fund payments and interest on the Parity Bonds.

“Bond Purchase Agreement” means an offer to purchase the Bonds, or a Series of Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of that Series of the Bonds, 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 Bond Registrar for the purpose of identifying ownership of the Bonds.

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

“2004 Bonds” means the District’s Sewer Revenue and Refunding Bonds, 2004, issued pursuant to Resolution No. 2004-16.

“2005 Bonds” means the District’s Sewer Revenue Bonds, 2005, issued pursuant to Resolution No. 2005-12.

“2008 Bonds” means the District’s Sewer Revenue Bonds, 2008, issued pursuant to Resolution No. 2008-12.

“2011 Bonds” means the District’s Sewer Revenue Bonds, 2011, issued pursuant to Resolution No. 2011-11.

“Bonds” means the District’s not to exceed \$12,000,000 aggregate principal amount sewer revenue improvement and refunding bonds authorized to be issued in one or more Series pursuant to this resolution.

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

“Comprehensive Plan” means the District’s 2006 Comprehensive Sewer Plan update relating to the System, most recently updated by the District pursuant to Resolution No. _____. For purposes of this resolution, the Comprehensive Plan includes all amendments, updates, supplements or replacements that may be adopted from time to time by resolution.

“Construction Fund” means District fund number 115553020 maintained by the Treasurer and known as “Southwest Suburban Sewer Construction Revolving Fund 1990” of the District.

“Coverage Requirement” means the requirement set forth in Section 13(c)(ii) of this resolution.

“District” means the Southwest Suburban Sewer District, King County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State.

“District Contribution” means legally available money of the District, in addition to proceeds of the Bonds, necessary or advisable to carry out the Refunding Plan, as determined by the Designated Representative.

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

“Designated Representative” means the officer of the District appointed in Section 4 of this resolution to serve as the District’s designated representative in accordance with RCW 29.46.040(2).

“Estimated Assessment Income” means the estimated income to be derived from Assessments for each calendar year determined in accordance with Section 14 hereof.

“Final Terms” means the terms and conditions for the sale of a Series of Bonds including, but not limited to 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, including minimum savings for refunding bonds.

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

“Future Parity Bonds” means any revenue bonds or other revenue obligations issued by the District which have a lien upon the Revenue of the System to pay and secure the payment of the principal thereof and interest thereon equal to the lien created on the Revenue of the System to pay and secure the payment of the principal of and interest on the Bonds and the Outstanding Parity Bonds.

“General Manager” means the General Manager of the District or the successor officer.

“Government Obligations” has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

“Improvement Bonds” means those Bonds allocated to carrying out the Improvements, and funding the Reserve Requirement and paying the costs of issuance of such Bonds.

“Improvements” means certain improvements to the System set forth in the District’s Comprehensive Improvement Plan, including a new sewer maintenance facility and administration building.

“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 any Series of Bonds, the date of initial issuance and delivery of such Series to the Underwriter in exchange for the purchase price of such Series.

“Insurer” means for any outstanding Parity Bonds, any provider of bond insurance approved by the Board by resolution, or any successor thereto or assignee thereof.

“Letter of Representations” means the Blanket Issuer Letter of Representations between the District and DTC dated July 21, 2005, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

“Maintenance and Operation Expense” means all reasonable expenses incurred by the District in causing the System to be operated and maintained in good repair, working order and

condition, which expenses shall include current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expenses, payments which may be made to any other municipal corporation for sewage treatment and disposal service in the event the District enters into a contract for such services, but excludes depreciation, payments for debt service or into reserve accounts, any State-imposed taxes or payments in lieu of taxes and costs of capital additions to or replacements of the System.

“Maximum Annual Debt Service” means, at the time of calculation, the maximum amount of Annual Debt Service due in any future year.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenue” means the Revenue of the System less the Maintenance and Operations Expense.

“Outstanding Parity Bonds” means the outstanding 2004 Bonds that are not Refunded Bonds, the outstanding 2005 Bonds that are not Refunded Bonds, the outstanding 2008 Bonds and the outstanding 2011 Bonds.

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

“Parity Bond Authorizing Resolutions” means Resolution No. 2004-16 authorizing the issuance of the 2004 Bonds, Resolution No. 2005-12 authorizing the issuance of the 2005 Bonds, Resolution No. 2008-12 authorizing the issuance of the 2008 Bonds, and Resolution No. 2011-11 authorizing the issuance of the 2011 Bonds, this resolution and any resolution authorizing the issuance of Future Parity Bonds.

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

“Principal and Interest Account” means the account of that name created in the Bond Fund by Resolution No. 2004-16.

“Rating Agency” means each of Moody’s Investors Service, Inc., and Standard & Poor’s and their successors, and any other nationally recognized securities rating agency or agencies rating Parity Bonds at the request of the District.

“RCW” means the Revised Code of Washington, as amended.

“Record Date” means the Bond 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 shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar prepares the notice of redemption in accordance with Section 8.

“Redemption Date” means, for the 2004 Refunded Bonds, the later of May 1, 2014, or a date selected by the Designated Representative that is not less than 30 days or more than 60 days after the Issue Date and, for the 2005 Refunded Bonds, May 1, 2015.

“2004 Refunded Bonds” means all or a portion of the 2004 Refunding Candidates selected by the Designated Representative to be refunded with the proceeds of a Series of the Bonds.

“2005 Refunded Bonds” means all or a portion of the 2005 Refunding Candidates selected by the Designated Representative to be refunded with the proceeds of a Series of the Bonds.

“Refunded Bond Resolutions” means Resolution No. 2004-16 authorizing the issuance of the 2004 Bonds and Resolution No. 2005-12 authorizing the issuance of the 2005 Bonds.

“Refunded Bonds” means the 2004 Refunded Bonds and the 2005 Refunded Bonds.

“Refunding Bonds” means those Bonds allocated to carrying out the Refunding Plan.

“2004 Refunding Candidates” means the 2004 Bonds maturing on May 1 in the years 2015 through 2019, inclusive.

“2005 Refunding Candidates” means the 2005 Bonds maturing on May 1 in the years 2015 through 2017, inclusive, and 2020.

“Refunding Candidates” means the 2004 Refunding Candidates and the 2005 Refunding Candidates.

“Refunding Plan” means (as further described in the Refunding Trust Agreement):

(a) the deposit with the Refunding Trustee of an amount of proceeds of a Series of the Bonds sufficient (together with the District Contribution, if necessary) to acquire the Acquired Obligations to be held by the Refunding Trustee with cash, if necessary;

(b) the application of the principal of and interest on the Acquired Obligations (and any other cash balance) to the payment of interest on the Refunded Bonds when due and to the call, payment and redemption of the Refunded Bonds on each applicable Redemption Date at a price of par plus accrued interest; and

(c) the payment of the costs of issuing the Series of the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

“Refunding Trust Agreement” means a refunding trust or escrow agreement between the District and the Refunding Trustee, providing for the carrying out of the Refunding Plan.

“Refunding Trustee” means the trustee or escrow agent, or any successor trustee or escrow agent, designated by the Designated Representative to serve as refunding trustee to carry out the Refunding Plan.

“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 utilizes the book-entry

system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

“Reserve Account” means the account of that name created in the Bond Fund by Resolution No. 2004-16.

“Reserve Requirement” means the least of (1) 1.25 times the Average Annual Debt Service of all outstanding Parity Bonds; (2) Maximum Annual Debt Service of all outstanding Parity Bonds; or (3) 10% of the proceeds of all outstanding Parity Bonds.

“Revenue of the System” means all earnings, revenue and money received by the District from or on account of the operation of the System, and includes connection charges and income from investments of money in the various funds of the District or from any other investment of such earnings and revenue except the income from investments irrevocably pledged to the payment of any revenue bonds which shall have been refunded pursuant to a plan of refunding adopted by the District. The words “Revenue of the System” shall also include federal, state or municipal reimbursements of operating expenses to the extent such expenses are part of Maintenance and Operation Expense. Revenue of the System does not include Assessments, principal proceeds of Parity Bonds or other borrowings, government grants, tax proceeds, earnings in the Reserve Account or money held in a special account for the purpose of paying a rebate to the United States under the Code.

“Rule” means SEC Rule 15c2-12.

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

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

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

“State” means the State of Washington.

“Surety Bond” means any letter of credit, insurance policy, surety bond or other equivalent credit facility or any combination thereof issued to the District to satisfy all or part of the amount required to be maintained in the Reserve Account, the proceeds of which shall be used only to prevent deficiencies in the payment of the principal of or interest on any Parity Bonds resulting from insufficient amounts being on deposit in the Principal and Interest Account to make such payments of principal and interest as the same become due at maturity or on any mandatory sinking fund redemption date. Such Surety Bond shall be provided by an institution or entity which has been assigned a credit rating on the date of issuance of the device in one of the two highest rating categories of each Rating Agency.

“Surety Bond Payment” means an amount equal to the payment required to be made by the District on any interest or principal payment date or mandatory sinking fund redemption date minus that portion of such payment made by the District to the Bond Registrar for payment to

the bondholders on such date, all as certified by the Bond Registrar in a demand for payment made pursuant to the terms of any Surety Bond.

“System” means the sanitary sewer collection, treatment and disposal system of the District, including street lighting facilities, 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 other revenue producing services and facilities which the District may hereafter lawfully perform or operate and which shall be included by the Board as part the System.

“System of Registration” means the system of registration for the District’s bonds and other obligations set forth in Resolution No. 85-50 of the District.

“Tax-Exempt Bonds” means the Bonds of any Series issued on a tax-exempt basis, with respect to which the receipt of interest is intended to be excludable from gross income for federal tax purposes under Section 103 of the Code.

“Taxable Bonds” means the Bonds of any Series issued on a taxable basis, with respect to which interest is not intended to be excludable from gross income for federal tax purposes under Section 103 of the Code.

“Term Bonds” means any Parity Bonds which are designated as “Term Bonds” pursuant to the applicable Parity Bond Authorizing Resolution and subject to mandatory redemption.

“Treasurer” means the Director of the Finance and Business Operations Division, Department of Executive Services, of King County, Washington, or such other treasurer of the District as may hereafter be duly appointed in the manner permitted by law.

“ULID” means any utility local improvement district heretofore or hereafter created by the District for additions to and betterments of the System, the Assessment Income from which is required to be paid into the Bond Fund.

“Undertaking” means the undertaking to provide continuing disclosure entered into pursuant to Section 19 of this resolution.

“Underwriter” means Piper Jaffray & Co., as original purchaser of the Bonds.

Section 2. Findings Regarding Parity Provisions. The Board finds that there is no deficiency in the Bond Fund, the Principal and Interest Account or the Reserve Account, that provisions hereinafter meet the conditions for the issuance of Future Parity Bonds as set forth in the applicable Parity Bond Authorizing Resolutions, and that if necessary under the applicable Parity Bond Authorizing Resolutions there will be on file prior to the issuance and delivery of each Series of Bonds a certificate of the General Manager of the District that satisfies the conditions for such certificate as set forth in the applicable Parity Bond Authorizing Resolutions. Therefore, the Bonds shall be issued on a parity of lien with the Outstanding Parity Bonds.

Section 3. Authorization of the Bonds. The District is authorized to issue the Improvement Bonds for the purpose of providing the funds necessary to carry out the

Improvements, fund the Reserve Requirement and pay the costs of issuance and sale of the Improvement Bonds. The District is authorized to issue the Refunding Bonds for the purpose of providing the funds necessary to carry out the Refunding Plan. Each Series of Bonds shall be issued in the aggregate principal amount set forth in paragraph () of Exhibit A, which is attached to this resolution and incorporated by reference.

Section 4. Description of the Bonds; Appointment of Designated Representative.

The General Manager is appointed as the Designated Representative of the District 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 the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit A.

Section 5. Bond 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) Bond Registrar; Duties. The Fiscal Agent is appointed as initial Bond Registrar. The Bond 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 times. The Bond 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 Bond Registrar's powers and duties under this resolution and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner with the same rights it would have if it were not the Bond 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 Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond 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. DTC is appointed as initial Securities Depository. Each 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 Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding the accuracy of any records maintained by the Securities Depository or its participants. Neither the District nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond 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 is 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 Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, 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 Bond Registrar. The Bonds are payable solely out of the Bond Fund and shall not be general obligations of the District.

Section 7. 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. Each Bond shall be signed by the President and the 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 Bond Registrar, or issued or delivered by the District, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the District as though that 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 its Issue Date.

(b) Authentication. Only a Bond bearing a certificate of authentication in substantially the following form, manually signed by the Bond 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 Southwest Suburban Sewer District, King County, Washington, Sewer Revenue Improvement and Refunding Bonds, 2014." 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 8. Redemption 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 Agreement, 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 Agreement, 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 Agreement. If 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, purchased or defeased (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 Bond 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) 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 Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond 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 Bond 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 Bond 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 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 further reserves the right and option 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.

(h) Cancellation of Bonds. All Bonds purchased or redeemed under this section shall be canceled.

Section 9. 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 10. Disposition and Use of Bond Proceeds. Proceeds of the Refunding Bonds in an amount sufficient to carry out the Refunding Plan shall be deposited with the Refunding Trustee, and if Improvements Bonds are issued simultaneously with Refunding Bonds, proceeds of Improvement Bonds in an amount sufficient to pay the costs of issuance of such Improvement Bonds may also be deposited with the Refunding Trustee. All proceeds of the Bonds deposited with the Refunding Trustee shall be used to carry out the Refunding Plan and pay the costs of issuance of the Improvement Bonds, if applicable, as set forth in Section 17 of this resolution. Any proceeds of the Improvement Bonds that are not deposited with the Refunding Trustee shall be deposited into (i) the Reserve Account in an amount to necessary to equal, together with other amounts on deposit therein, the Reserve Requirement on the Issue Date and (ii) the Construction Fund and used to carry out the Improvements and pay the costs of issuing and selling the Improvement Bonds. Until needed to pay such costs, the District may invest proceeds on deposit in the Construction Fund temporarily in any legal investment, and the investment earnings shall be retained in the Construction Fund and spent for the purposes of that fund.

Section 11. Flow of Funds. All Assessments shall be paid into the Bond Fund as provided by this resolution. The Revenue of the System shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay the Maintenance and Operating Expenses;
- (b) To make all payments required to be made into the Principal and Interest Account to pay the interest on any Parity Bonds for which money shall not have been provided by Assessment Income or income from the investment of money in the Bond Fund;
- (c) To make all payment required to be made into the Principal and Interest Account to pay the principal of any Parity Bonds due at maturity or pursuant to mandatory sinking fund redemption requirements applicable to Term Bonds for which money shall not have been provided by Assessment Income or income from the investment of money in the Bond Fund;
- (d) To make all payments required to be made into the Reserve Account for which money shall not have been provided by Assessment Income or income from the investment of money in the Bond Fund;
- (e) To make all payments required to be made pursuant to any reimbursement agreement in connection with any Surety Bonds;
- (f) To make all payments required to be made into any other redemption fund, debt service account, reserve account or sinking fund account created to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the District having a lien upon the Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on Parity Bonds; and
- (g) To retire by redemption or by purchase in the open market any outstanding revenue bonds or other revenue obligations of the District, to make necessary additions, betterments, improvements, extraordinary repairs, extensions and replacements of the System, or to use for any other lawful District purposes.

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

Section 12. Bond Fund and Accounts—Required Payments. The Bond Fund has been previously established in the office of the Treasurer and divided into two accounts, the Principal and Interest Account and the Reserve Account. The Bond Fund shall be drawn upon for the sole purpose of paying and securing the payment of Parity Bonds. For so long as any Parity Bonds remain outstanding, the District hereby irrevocably obligates and binds itself to set aside and pay into the Bond Fund as collected all Assessments levied in any ULIDs.

(a) Principal and Interest Account. The Principal and Interest Account has been established in the Bond Fund for the purpose of paying the interest on Parity Bonds and the principal of and premium, if any, on any Parity Bonds. As long as any Parity Bonds remain outstanding, the District hereby irrevocably obligates and binds itself to set aside and pay from the Revenue of the System into the Principal and Interest Account those fixed amounts without regard to any fixed proportion necessary, with Assessment Income deposited and other money then on hand and available in the Principal and Interest Account, to pay the interest on all outstanding Parity Bonds and the principal of all outstanding Parity Bonds as such interest and principal respectively become due and payable.

(b) Reserve Account. The Reserve Account is established in the Bond Fund for the purpose of securing the payment of Parity Bonds. The District shall deposit into the Reserve Account, on the Issue Date, from proceeds of the Improvement Bonds, the additional amount necessary to bring the amount on deposit in the Reserve Account equal to the Reserve Requirement on such date. The District covenants and agrees that it will maintain an amount of money and investments in the Reserve Account that will be at least equal to the Reserve Requirement. Investments in the Reserve Account shall be valued at fair market value and marked to market at least once each year. Investments in the Reserve Account shall not have maturities extending beyond five years.

The District covenants and agrees that in the event it issues any Future Parity Bonds, it will provide in each resolution authorizing the issuance of the same that, on the date of issuance of any Future Parity Bonds, an amount shall be deposited into the Reserve Account, that together with the amount already in the Reserve Account, will be at least equal to the Reserve Requirement or that, it shall deposit into the Reserve Account, in approximately equal annual payments, amounts necessary to fund the Reserve Requirement within five years from the date of issuance of such Future Parity Bonds after taking into account the capitalization of all or any part of the Reserve Requirement; provided, however, that so long as any of the 2008 Bonds are outstanding, the District shall fully fund the Reserve Account at the Reserve Requirement on the date of issuance of such Future Parity Bonds unless otherwise permitted by the Insurer of the 2008 Bonds.

Whenever there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Parity Bonds then outstanding, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may be withdrawn to redeem and retire, by payment of principal, premium, if any, and the interest due to such date of redemption, any outstanding Parity Bonds so long as the money remaining on deposit in the Reserve Account is at least equal to the Reserve Requirement. Amounts so withdrawn from the Reserve Account shall be deposited in the Principal and Interest Account up to an amount, together with other money then in such Accounts, equal to principal of, premium, if any, and interest on outstanding Parity Bonds to become due or to be paid pursuant to a call for mandatory or

optional redemption during the succeeding 12 months; and any amounts in excess thereof shall be deposited in any other fund or account and spent for any other lawful District purpose.

In the event there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either interest on or principal of and interest on any Parity Bonds, whether by reason of maturity or mandatory sinking fund redemption, such deficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall be made up out of Revenue of the System after making necessary provision for the payments required to be made by subparagraphs (a), (b), (c) and (d) of Section 11 hereof.

(i) Surety Bond. The District reserves the right at any time and from time to time to obtain one or more Surety Bonds in lieu of maintaining all or part of the Reserve Requirement; provided, however, that so long as any of the 2005 Bonds or the 2008 Bonds are outstanding, any Surety Bond must be approved by the Insurer for the 2005 Bonds and the 2008 Bonds. In the event any such Surety Bonds are obtained, the District covenants and agrees to maintain an amount in the Reserve Account at least equal to the difference between the Reserve Requirement and the aggregate limit on the amount payable under such Surety Bonds to pay debt service on the Parity Bonds (the "Surety Bond limit"), the amount of said difference at any time and from time to time is hereinafter referred to as the "Adjusted Reserve Requirement." In the event that the Surety Bond limit shall be expected to be reduced by reason of expiration of the Surety Bond on a fixed date or the end of a fixed term, the District hereby covenants and agrees to replenish the Reserve Account to an amount equal to the Reserve Requirement or the applicable Adjusted Reserve Requirement no later than such date of expiration. In the event that the Surety Bond limit is reduced by reason of payment made under a Surety Bond to the Bond Registrar to pay any principal of or interest on any Parity Bond, the District hereby covenants and agrees to make payments to the issuer of such Surety Bond pursuant to the terms of a reimbursement agreement effective to reinstate the maximum Surety Bond limit; and to the extent there is no applicable reimbursement agreement, the District covenants and agrees to deposit in the Reserve Account from money first available therefor pursuant to Section 11 of this resolution such amounts as are necessary to provide a balance therein equal to the then applicable Adjusted Reserve Requirement.

(ii) Variable Rate Parity Bonds. In the event that the District shall issue Future Parity Bonds upon which the interest rate or rates of any of them are not fixed at the time of issuance, the Reserve Requirement shall be determined by recalculating the Average Annual Debt Service within 30 days after each May 1 and November 1 (so long as any Parity Bonds remain outstanding which do not bear a fixed interest rate) as

follows: Any Parity Bond which does not, on the applicable date of calculation, bear a fixed interest rate to its maturity date shall be deemed to bear interest at a fixed annual rate equal to the average of the daily rates on such Parity Bond during the 365 consecutive days (or, if shorter, the period beginning on the date of issuance of such Parity Bond and) ending on the date of computation.

In the event the Reserve Requirement so determined is greater than the amount then on deposit in the Reserve Account, the District covenants and agrees to deposit in the Reserve Account from money first available therefor pursuant to Section 11 of this resolution such amounts as are necessary to provide a balance equal to the Reserve Requirement.

(c) Required Payments—Lien Upon Revenue of System. The Net Revenue and all Assessments hereafter collected are hereby irrevocably pledged to the payments to be made into the Bond Fund. The amounts so pledged to be paid into the Bond Fund from the Revenue of the System for the payment of the Parity Bonds are hereby declared to constitute a lien and charge upon the Net Revenue prior and superior to all other charges of any kind or nature whatsoever.

(d) Investment of Money in Bond Fund and Accounts. Money in the Bond Fund not needed to pay the interest or principal next coming due on any outstanding Parity Bonds or to make the next scheduled redemption of Term Bonds or to maintain required reserves may be used to redeem and retire Parity Bonds. Money in the Bond Fund may be kept in cash or invested as permitted by law. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds. Earnings from investments in the Principal and Interest Account shall be deposited in that account. Earnings from investment 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.

(e) Adequacy of Revenue to Make Required Payments. The Board hereby finds that in fixing the amounts to be paid into the Bond Fund and the various accounts therein out of the Revenue of the System, it has exercised due regard for the Maintenance and Operation Expense and has not obligated the District to set aside and pay into such Fund a greater amount of such Revenue than in its judgment will be available over and above the Maintenance and Operation Expense.

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

(a) Maintenance and Operation. 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) Collection and Application of Assessments. The District will promptly collect all Assessments levied in ULIDs and will pay the same into the Bond Fund. The same may be used to meet required payments into any account of the Bond Fund and may be used to pay the principal of and interest on any Parity Bonds without the Assessments being particularly allocated to the payment of any particular series of Parity Bonds. It is hereby further provided, however, that nothing in this resolution or in this subsection shall be construed to prohibit the District from issuing revenue bonds having a lien on the Revenue of the System junior to the lien on such revenue and money for the payment of the principal of and interest on the Parity Bonds and pledging as security for the payment of such junior lien bonds assessments levied in any utility local improvement district which may have been created to pay part or all of the cost of improvements to the System for which such junior revenue bonds are specifically issued.

(c) Establishment and Collection of Rates and Charges. The District shall establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System and shall adjust such rates and charges from time to time so that:

(i) The Revenue of the System and Assessment Income will at all times be sufficient (a) to pay all costs of and charges and expenses in connection with the proper operation and maintenance of the System, (b) to pay the principal of and interest on outstanding Parity Bonds, as and when the same shall become due and payable, whether by reason of maturity or mandatory sinking fund redemption; (c) to make when due all payments which the District is obligated to make into the Reserve Account, (d) to make all other payments which the District is obligated to make pursuant to this resolution, and (e) to 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 and hereafter become obligated to pay from the Revenue of the System by law or contract; and

(ii) The Coverage Requirement is met, *i.e.*, Net Revenue and Assessment Income in each calendar year will, during the installment paying period of any Assessments, equal at least 1.10 times the actual Annual Debt Service in any current year on any Parity Bonds then outstanding; and at all other times, Net Revenue will equal at least 1.25 times Maximum Annual Debt Service on the Parity Bonds.

(d) Enforcement of Collection of Service Charges and Assessments. The District shall promptly take action to enforce the payment of delinquent service charges and Assessments by such means as are legally available.

(e) Sale or Disposition of System. The District will sell, transfer or otherwise dispose of any or all 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 subparagraph, 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 subparagraph (ii) 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 Revenue of the System from the portion of the System sold or disposed of for the preceding year bears to the total Revenue of the System 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 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 subparagraph (iii) shall be used first, to promptly redeem, or irrevocably set aside for the redemption of, Parity Bonds, and, if any proceeds remain, second, to provide for part of the cost of additions to and betterments and extensions of the System.

Before any such transfer under this subparagraph (iii), 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 five fiscal years following the fiscal year in which the transfer is to occur, taking into account, (w) the reduction in revenue resulting from the transfer, (x) the use of any proceeds of the transfer for the redemption of Parity Bonds, (y) 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 (z) any other adjustment permitted in the preparation of a certificate under Section 14 of this resolution.

(f) No Free Service. Except to aid the poor or infirm, the District will not furnish or supply any service of the System to any customer whatsoever free of charge.

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

(h) Books and Accounts. The District will keep and maintain proper books, records and accounts with respect to the operations, income and expenditures of the System that are 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 an annual basis by the State Auditor (or, if such audit is not made by the State Auditor within one year after the close of any fiscal year of the District, by a certified public accountant selected by the District if permitted under State law). 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 Revenue of the System, necessary and current expenses of operation and maintenance, repairs, administrative expenses and expenditures for capital purposes of the System for such fiscal year and shall set forth as of the end of such year the status of all the funds and accounts created by the various

resolutions pertaining to the operation of the System and/or authorizing the issuance of outstanding bonds payable from the Revenue of the System. The audit and such financial and operating statements shall be made available to the holder of any Parity Bond upon written request. All expenses incurred in the maintenance of such books and accounts and the preparation of such financial and operating statements may be regarded and paid as a Maintenance and Operation Expense.

(i) Insurance. The District will at all times carry fire and extended coverage, and such other forms of insurance on such of the buildings, equipment, facilities and properties of the District as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by municipal or privately owned utilities engaged in the operation of sewer and/or water systems and will also carry adequate public liability insurance at all times; or it 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.

(j) Parity Bonds. The District will not issue any Parity Bonds except as permitted pursuant to the provisions of Section 14 of this resolution.

Section 14. Future Parity Bonds. The District further covenants and agrees with the owners of each of the Bonds that, for as long as any of the Bonds remain outstanding, the District will not issue any bonds secured by a lien on Revenue of the System prior to the lien that secures the Parity Bonds, and it will not issue any Future Parity Bonds except as follows:

(a) The District reserves the right to issue Future Parity Bonds for the purpose of:

First, providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments or other capital improvements to the System for which it is authorized by law to issue revenue bonds, or

Second, refunding at or prior to their maturity, any outstanding revenue bond anticipation notes, or revenue bonds, or other obligations payable out of the Revenue of the System;

and to pledge that payments will be made out of Revenue of the System on a parity with the payments required herein to be made out of Revenue of the System to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding, upon compliance with the following conditions:

(i) At the time of the issuance of any Future Parity Bonds, there is no deficiency in the Bond Fund, the Principal and Interest Account or the Reserve Account.

(ii) The principal of and interest on any Future Parity Bonds shall be payable out of the Bond Fund and the requirements for the Reserve Account in Section 12 hereof shall be met.

(iii) The resolution authorizing the issuance of such Future Parity Bonds 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.

(iv) The resolution authorizing the issuance of such Future Parity Bonds shall provide that Assessments levied in any ULIDs created to pay part of the cost of improvements to the System for which such Future Parity Bonds are issued shall be paid into the Bond Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.

(v) Prior to the delivery of any Future Parity Bonds, the District shall have on file in the office of the Board either:

(A) a certificate of the General Manager of the District demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenue was at least equal to 1.25 times the Average Annual Debt Service 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 proposed bonds); or

(B) a certificate of an Independent Utility Consultant showing:

(i) That the "Estimated Assessment Income" and the "Adjusted Net Revenue" (as determined pursuant to this subsection) for each calendar year after the issuance of such Future Parity Bonds will equal at least 1.25 times the "Future Average Annual Debt Service" (as defined herein), and

(ii) That the "Estimated Assessment Income" and the "Adjusted Net Revenue" remaining after the payment of the interest on Parity Bonds and the principal of Parity Bonds other than Term Bonds will be sufficient to retire (by redemption prior to maturity or when due) the

principal of all then outstanding Term Bonds and any Future Parity Term Bonds proposed to be issued.

The term "Future Annual Debt Service" as used in this section means the amount required to be paid in a calendar year for (1) interest on all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued plus (2) the principal of all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued. The term "Future Average Annual Debt Service" as used in this section means the total Future Annual Debt Service for the calendar years in which Parity Bonds and the Future Parity Bonds proposed to be issued are outstanding divided by the number of such years. In the event any of the outstanding Parity Bonds or the Future Parity Bonds proposed to be issued are variable interest rate bonds, the interest on such bonds shall be estimated in accordance with Section 12(b) of this resolution, provided that the proposed Future Parity Bonds shall be deemed to have been issued 180 days prior to the date of such Independent Utility Consultant's certificate.

The "Adjusted Net Revenue" shall be the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such Independent Utility Consultant to take into consideration changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(i) the additional Net Revenue which would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 24 month period, had been in force during the full 12 month period;

(ii) the additional Net Revenue which 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;

(iii) 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;

(iv) the additional Net Revenue estimated by such Independent Utility Consultant to be received if any

customers added to the System during such 12 month period were customers for the entire period; and

(v) the additional Net Revenue estimated to be received from anticipated growth in customers not to exceed two percent per year for a period of not more than ten years after delivery of such proposed Future Parity Bonds.

The "Estimated Assessment Income" for each calendar year shall be determined as follows:

(i) by deducting from the principal amount of unpaid Assessments levied by the District in each applicable ULID and payable into the Bond Fund for estimated nonpayment an amount equal to five percent of such unpaid principal;

(ii) by dividing the principal balance remaining after such deduction by the number of years in which installments on each such assessment roll may be paid without becoming delinquent; and

(iii) by adding to the amount found for each year the interest due and payable on such installments.

Such Independent Utility Consultant may rely upon, and his certificate shall have attached thereto, financial statements of the System, certified by the Secretary of the Board showing income and expenses for the period upon which the same is based.

The certificate of such Independent Utility Consultant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this paragraph (a)(5)(B).

Notwithstanding the foregoing requirement, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the Parity Bonds being refunded thereby, the conditions stated in paragraph (a)(5) of this Section 14 need not be met.

(b) Nothing herein contained shall prevent the District from (1) issuing revenue bonds or other obligations which are a charge upon the Revenue of the System junior or inferior to the payments required by this resolution to be made out of such Revenue into the Bond Fund and Accounts therein to pay and secure

the payment of any outstanding Parity Bonds, and (2) securing such junior lien revenue bonds by a pledge of assessments levied in one or more utility local improvement districts which shall have been created to construct the improvements to be paid for out of the proceeds of such junior lien revenue bonds.

(c) Nothing herein contained shall prevent the District from issuing revenue bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Section 15. Tax-Exempt Bond Covenants; Designation of Tax-Exempt Bonds as “Qualified Tax-Exempt Obligations.”

(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 Tax-Exempt Bonds or other funds of the District treated as proceeds of the Tax-Exempt Bonds at any time during the term of the Tax-Exempt Bonds which will cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

(b) Post-Issuance Compliance. The District’s written procedures to facilitate compliance by the District with the covenants in this resolution 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 tax purposes (the “Post-Issuance Compliance Procedures”) are hereby updated and replaced with the written procedures included as Exhibit B and incorporated herein. The General Manager is authorized and directed to review and update the Post-Issuance Compliance Procedures as he deems necessary in consultation with Bond Counsel and other District advisors.

(c) Designation of Tax-Exempt Bonds as “Qualified Tax-Exempt Obligations.” The Tax-Exempt Bonds 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:

(i) The Tax-Exempt Bonds are not “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) 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 Tax-Exempt Bonds are issued does not exceed \$10,000,000; and

(iii) the amount of tax-exempt obligations, including the Tax-Exempt Bonds, 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 Tax-Exempt Bonds are issued does not exceed \$10,000,000.

Section 16. Refunding or Defeasance of Bonds. The District may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay the principal of and interest on the Bonds, or such portion thereof included in a refunding or defeasance plan, as the same become due and payable and to redeem and retire, release, refund or defease all such then outstanding Bonds (the “defeased Bonds”) and to pay the costs of such refunding or defeasance. In the event that money and/or Government Obligations sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the defeased Bonds in accordance with their terms, are set aside irrevocably in a special fund for and pledged irrevocably to such redemption, retirement or defeasance (the “trust account”), then all right and interest of the Owners of the defeased Bonds in the covenants of this resolution and in the Gross Revenue of the System, Assessments, funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such Registered Owners thereafter shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account.

After the establishing and full funding of such a trust account, the District then may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Bonds or bonds then outstanding.

If the refunding plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior 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 and the Reserve Requirement for the issuance of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 17. Deposit of Bond Proceeds Allocated to Refunding Plan; Refunding of the Refunded Bonds.

(a) Appointment of the Refunding Trustee; Selection of Refunded Bonds and Redemption Date. The Designated Representative is authorized to appoint the Refunding Trustee and to select the Refunding Candidates to be refunded by each Series of the Bonds. The Designated Representative may choose to refund fewer than all of the Refunding Candidates. The Refunded Bonds and the Redemption Date, as selected by the Designated Representative,

shall be identified in the applicable Bond Purchase Agreement and/or the applicable Refunding Trust Agreement.

(b) Deposit of Bond Proceeds Allocated to Refunding Plan; Purchase of Acquired Obligations. Proceeds from the sale of each Series of the Refunding Bonds in the amount sufficient to carry out the applicable Refunding Plan shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the District relating to the Refunded Bonds under the Refunded Bond Resolutions by providing for the payment of the amounts required to be paid by the Refunding Plan. If Improvement Bonds are issued simultaneously with Refunding Bonds, proceeds from the sale of such Improvement Bonds in an amount sufficient to pay the costs of issuance and sale of such Improvement Bonds may also be deposited immediately upon receipt thereof with the Refunding Trustee and used to pay the costs of issuance and sale of such Improvement Bonds.

The Designated Representative is authorized for each Series of Refunding Bonds to direct the Refunding Trustee to discharge such obligations by holding proceeds from the sale of each Series of Refunding Bonds uninvested, or, at the Designated Representative's direction, by the Refunding Trustee's purchase of Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in the Refunding Trust Agreement, but are subject to substitution as set forth below. The Designated Representative is authorized and directed to approve the Acquired Obligations, if any, to be purchased.

The Designated Representative is authorized to cause the District to transfer to the Refunding Trustee the District Contribution, if any, immediately preceding the Issue Date. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to carry out the Refunding Plan or pay the costs of issuance of the Improvement Bonds shall be returned to the District as soon as reasonably practicable following the Issue Date and used in accordance with this resolution. Any Refunding Bond proceeds not needed to carry out the Refunding Plan shall be deposited in the Bond Fund and used to pay interest on the applicable Series of Refunding Bonds on the first interest payment date.

(c) Substitution of Acquired Obligations. Prior to the purchase of any Acquired Obligations, the District reserves the right to substitute other noncallable, nonprepayable Government Obligations ("Substitute Obligations") for any of such Acquired Obligations if, (i) in the opinion of Bond Counsel the interest on the Tax-Exempt Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (ii) such substitution will not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm. The District may use any savings created by the foregoing substitution to pay interest on the Bonds on the first interest payment date.

After the purchase of Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute therefor money and/or Substitute Obligations subject to the conditions that such money or Substitute Obligations held by the Refunding Trustee will be

sufficient to carry out the Refunding Plan, that such substitution will not cause the Tax-Exempt Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the Issue Date, and that the District obtains, at its expense: (i) a verification by a nationally recognized independent certified public accounting firm confirming that the payments of principal of and interest on the Substitute Obligations, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (ii) an opinion from Bond Counsel to the effect that the disposition and substitution or purchase of such Substitute Obligations, under the statutes, rules and regulations then in force and applicable to the Bonds or the Refunded Bonds, will not cause the interest on the Tax-Exempt Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds or the Refunded Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the District to be used to pay interest on the Bonds.

(d) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or Substitute Obligations) and to make the payments required to be made pursuant to the Refunding Plan from the Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee pursuant to this resolution and the Refunding Plan. All Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Refunded Bond Resolutions, this resolution, chapter 39.53 RCW and other applicable laws of the State and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the Refunding Plan and costs related to the issuance, sale and delivery of the Bonds, including bond printing, rating service fees, verification fees, Bond Counsel's fees and other related expenses, shall be paid out of the proceeds of the Bonds.

(e) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan, the Designated Representative is authorized and directed to execute and deliver to the Refunding Trustee the Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation and expenses of the Refunding Trustee set forth therein are satisfactory to it.

(f) Call for Redemption of the Refunded Bonds. Effective upon the Issue Date for any Series of Refunding Bonds, the District calls for redemption all of the Refunded Bonds on each applicable Redemption Date, at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Refunding Bonds to the Underwriter. The date on which the 2004 Refunded Bonds are herein called for redemption is the first date after the Issue Date on which it is practicable to redeem the 2004 Refunded Bonds, as determined by the Designated Representative. The date on which the 2005 Refunded Bonds are herein called for redemption is the first date on which the 2005 Refunded Bonds may be called. The Refunding Trustee is authorized and directed to give or cause to be given such notices as required, at the times and in

the manner required, pursuant to the Refunded Bond Resolutions and the Refunding Trust Agreement in order to effect the redemption of the Refunded Bonds prior to their stated maturity dates.

(g) Additional Findings. Prior to the execution of any Bond Purchase Agreement, the Designated Representative must determine, on behalf of the District, that the issuance, sale and delivery of that particular Series of the Refunded Bonds will effect a net present value savings to the District and its taxpayers as set forth in paragraph (i)(2) of Exhibit A attached hereto. The Board finds and determines that such net present value savings is a substantial savings and that achieving such net present value savings by issuing the Refunding Bonds is in the best interest of the District and in the public interest. In making the finding and determination that the issuance, sale and delivery of a Series of Refunding Bonds will effect the foregoing net present value savings, the Designated Representative shall give consideration to the fixed maturities of the Refunding Bonds of that Series and the Refunded Bonds to be refunded by such Series, the costs related to the issuance, sale and delivery of such Series and the known earned income from the investment of the proceeds of the issuance and sale of such Series and the District Contribution, if any, used in the Refunding Plan pending payment and redemption of the Refunded Bonds to be redeemed.

The Designated Representative further must find and determine that the money to be deposited with the Refunding Trustee to carry out the Refunding Plan will discharge and satisfy the obligations of the District under the applicable Refunded Bond Resolutions, and the pledges, charges, trusts, covenants and agreements of the District therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under the Refunded Bond Resolutions immediately upon the deposit of such money with the Refunding Trustee.

Section 18. Sale and Delivery of the Bonds.

(a) Manner of Sale of Bonds; Delivery of Bonds. The Designated Representative is authorized to sell each Series of the Bonds to the Underwriter by negotiated sale based on the assessment by the Designated Representative of market conditions, in consultation with appropriate District officials and staff, Bond Counsel and other advisors. In 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, taking into consideration the District's financing goals and current financial market conditions and interest rates for obligations comparable in tenor and quality to the Bonds.

(b) Procedure for Negotiated Sale. The Bond Purchase Agreement for each Series of the Bonds 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.

(c) Preparation, Execution and Delivery of the Bonds. The Bonds will be prepared at District expense and will be delivered to the Underwriter in accordance with the Bond Purchase Agreement, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 19. 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 each sale of a Series of the Bonds to the public. For the sole purpose of the Underwriter'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 deemed final in accordance with this subsection.

(b) Approval of Final Official Statement. The District approves the preparation of a final official statement for each Series of the Bonds to be sold to the public in the form of the preliminary official statement, 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 Underwriter. The District authorizes and approves the distribution by the Underwriter of that final official statement to purchasers and potential purchasers of the Bonds.

(c) Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of the Rule, as applicable to a participating underwriter for the Bonds, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Bonds in substantially the form attached as Exhibit C and incorporated by reference.

Section 20. Supplemental Resolutions.

(a) The Board from time to time and at any time may adopt a resolution or resolutions supplemental to this resolution which supplemental resolution or resolutions thereafter shall become part of this resolution, for any one or more or all of the following purposes:

(i) To add to the covenants and agreements of the District contained in this resolution other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the holders of any Parity Bonds or to surrender any right or power herein reserved to or conferred upon the District.

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or any resolution authorizing any Future Parity Bonds in regard to matters or questions arising under such resolutions as the Board may deem necessary or desirable and not inconsistent with such resolutions and which shall not adversely affect the interest of the owners of Parity Bonds.

(iii) To make such additions, deletions or modifications as may be necessary to assure exclusion of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation.

Any such supplemental resolution of the District may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of this Section 20(b).

(b) With the consent of the owners of not less than 60% in aggregate principal amount of the Parity Bonds at the time outstanding, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution; provided however, that no such supplemental resolution shall:

(i) Extend the fixed maturity of any Parity Bonds or reduce the rate of interest thereon, or extend the times of payments of interest thereon from their due dates or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected.

(ii) Reduce the aforesaid percentage of owners required to approve any such supplemental resolution, without the consent of the owners of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of owners under this Section 20(b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Upon the adoption of any supplemental resolution pursuant the provisions of this Section 20, this resolution shall be deemed be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this resolution and all owners of any Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and the terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes. At least 10 days prior to adoption of any supplemental resolution, a copy of the proposed resolution shall be sent to the Rating Agencies.

(d) Bonds executed and delivered after the execution of any supplemental resolution adopted pursuant to the provisions of this Section 20 may bear a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall provide, new bonds so modified as to conform, in the opinion of the Board, to any modification of this resolution contained in any such supplemental resolution, may be prepared by the District and delivered without cost to the owners of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

(e) The Owners from time to time of the outstanding Bonds, by taking and holding the same, shall be deemed to have consented to the adoption by the District of any supplemental resolution adopted for any one or more of the following purposes:

(i) As consistent with Section 11 of this resolution, to create an additional fund to be called the "Rate Stabilization Fund" and deposit therein Revenue of the System and any other money received by the System and available to be so deposited;

(ii) When calculating "Net Revenue," to include withdrawals from the Rate Stabilization Fund and exclude deposits into the Rate Stabilization Fund;

(iii) When calculating "Annual Debt Service," to permit or require Tax Credit Subsidies expected to be received by the District in any period to be credited against amounts required to be paid in respect of interest on the Parity Bonds in that period. "Tax Credit Subsidy" means any tax credit payment the District is entitled to receive from the United States Treasury in respect of any Parity Bond that is designated by the District as a "build America bond," "recovery zone economic development bond" or other tax credit bond pursuant to the Code;

(iv) To permit or require Tax Credit Subsidies 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;

(v) To amend Section 13(h) to provide that the District shall cause its books, records and accounts to be audited by the State Auditor annually, but only in the time and manner required under State law; and

(vi) To amend the definition of Surety Bond in Section 1 to provide that a Surety Bond may be provided by an institution or entity which has been assigned a credit rating on the date of issuance of the device in one of the two highest rating categories of any Rating Agency.

Section 21. 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 22. Ratification and Effective Date. Any act done pursuant to and in furtherance of the authority, and prior to the effective date, of this resolution, which shall be effective immediately upon its adoption, is hereby ratified, approved and confirmed.

ADOPTED by the Board of Commissioners of Southwest Suburban Sewer District, King County, Washington, at a regular meeting thereof held this 15th day of April, 2014.

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON

*Individual Commissioner's
Vote on Resolution*

In favor of:
Opposed:
Abstained:

William A. Tracy
William Tracy,
President and Commissioner

In favor of:
Opposed:
Abstained:

Susan Genzale
Susan Genzale,
Vice President and Commissioner

In favor of:
Opposed:
Abstained:

Scott Hilsen
Scott Hilsen,
Secretary and Commissioner

ATTEST: _____
Scott Hilsen, Secretary

EXHIBIT A
DESCRIPTION OF THE BONDS

- (i) Principal Amount. The Bonds may be issued in one or more Series as either Tax-Exempt Bonds or Taxable Bonds. The aggregate principal amount of the Improvement Bonds shall not exceed \$10,500,000 and the aggregate principal amount of the Refunding Bonds shall not exceed \$1,500,000.
- (ii) Date or Dates. Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this resolution.
- (iii) 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.
- (iv) Interest Rate(s). 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 6.00%, and the true interest cost to the District for each Series of the Bonds may not exceed 4.50%.
- (v) 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.
- (vi) Final Maturity. The Refunding Bonds allocated to the 2004 Refunded Bonds shall mature no later than May 1, 2019, and the Refunding Bonds allocated to the 2005 Refunded Bonds shall mature no later than May 1, 2020. The Improvement Bonds shall mature no later than the date that is 20 years after the Issue Date.
- (vii) Redemption Rights. The Designated Representative may approve in the Bond Purchase Agreement 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 Agreement; 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 Agreement.

(viii) Price. The purchase price for each Series of the Bonds may not be less than 95% or more than 120% of the stated principal amount of that Series.

- (ix) Other Terms and Conditions.
- (1) The Designated Representative may determine whether it is in the District's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the District, consistent with this resolution.
 - (2) Each Series of Refunding Bonds shall produce a minimum net present value savings to the District and its ratepayers of 3.00% (as a percentage of the Refunded Bonds refunded by such Series). Net present value savings means the aggregate difference between (i) annual debt service on the Refunded Bonds to be refunded, less (ii) annual debt service on the Series of Refunding Bonds (including expenses related to costs of issuance of that Series of Refunding Bonds) discounted to the Issue Date using the yield on that Series of Refunding Bonds as the discount rate, plus (iii) excess cash, if any distributed to the District on the Issue Date, and less (iv) the amount of the District Contribution, if any, made on such Issue Date.

EXHIBIT B

POST ISSUANCE COMPLIANCE PROCEDURES

1. Purpose. The purpose of these post-issuance compliance procedures (“Compliance Procedures”) for bonds and other obligations (“Bonds”) issued by Southwest Suburban Sewer District, King County, Washington (the “District”) is to facilitate compliance by the District with applicable requirements of (i) the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied after the issue date of tax-exempt Bonds after such Bonds are issued and (ii) any continuing disclosure undertakings (the “Undertakings”) the District has entered into pursuant to Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as applicable to a participating underwriter for the Bonds. By adopting these Compliance Procedures, the District also intends to avail itself of certain provisions of the Internal Revenue Manual of the Internal Revenue Service (“IRS”) relating to its Voluntary Closing Agreement Program which provide more favorable settlement terms to a bond issuer that has adopted post-issuance compliance procedures, in the event that it were to become necessary for the District to enter into a closing agreement with the IRS to resolve any noncompliance with applicable requirements of the Code. Sections 3 through 6 below shall apply only to tax-exempt Bonds and not taxable Bonds.

2. Responsibility for Monitoring Post-Issuance Tax Compliance. The Board of Commissioners of the District (the “Board”) has the overall, final responsibility for monitoring whether the District is in compliance with post-issuance federal tax and securities regulatory requirements for the Bonds. The Board has delegated the primary operating responsibility to monitor the District’s compliance with post-issuance federal tax and securities regulatory requirements for the Bonds to the General Manager of the District (the “Manager”). In addition to any compliance checks that may be undertaken in connection with (and prior to) any prospective change in use of property or facilities financed with tax-exempt Bonds as described in item 4 below, the Manager will check on the District’s compliance with applicable requirements of the Code and the Undertakings at least annually. The District will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

3. Arbitrage Yield Restriction and Rebate Requirements. The Manager shall maintain or cause to be maintained records of:

(a) purchases and sales of investments made with Bond proceeds (including amounts treated as “gross proceeds” of Bonds under Section 148 of the Code) and receipts of earnings on those investments;

(b) expenditures made with Bond proceeds (including investment earnings on Bond proceeds) in a timely and diligent manner for the governmental purposes of the Bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) information showing, where applicable for a particular calendar year, that the District was eligible to be treated as a “small issuer” in respect of Bonds issued in that calendar year because the District did not reasonably expect to issue more than \$5,000,000 of Bonds in that calendar year;

(d) calculations that will be sufficient to demonstrate to the IRS upon an audit of a Bond issue that, where applicable, the District has complied with an available spending exception to the arbitrage rebate requirement in respect of that Bond issue;

(e) calculations that will be sufficient to demonstrate to the IRS upon an audit of a Bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that Bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

(f) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for Bonds, and investments made with unspent Bond proceeds after the expiration of any applicable temporary period, were not invested in higher-yielding investments.

4. Restrictions on Private Business Use and Private Loans. The Manager shall educate and inform the principal operating officials of those departments and any affiliates of the District (“Users”) for which land, buildings, facilities and equipment are financed with proceeds of Bonds (“Property”) about the restrictions on private business use that apply to the Property after the Bonds have been issued, and of the restriction on the use of Bond proceeds to make or finance any loan to any person other than a state or local government unit.

In particular, following the issuance of Bonds to finance Property, the Manager shall provide to the Users of the Property a copy of these Compliance Procedures and other appropriate written guidance advising that:

(a) “private business use” means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and *the United States of America and any federal agency*, as a result of ownership of the Property or use of the Property under a lease, management or service contract (except for certain “qualified” management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain “qualified” research contracts), “naming rights” contract, “public-private partnership” arrangement or any similar use arrangement that provides special legal entitlements for the use of the Property;

(b) no more than 10% of the proceeds of any Bond issue (including the Property) may be used for private business use, of which no more than 5% of the proceeds of the Bond issue (including the Property) may be used for any “unrelated” private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the Bonds;

and no more than *the lesser* of \$5,000,000 or 5% of the proceeds of a Bond issue may be used to make or finance a loan to any person other than a state or local government unit;

(c) before entering into any special use arrangement with person other than a state or local government unit that involves the use of Property, the User must consult with the Manager, provide the Manager with a description of the proposed arrangement, and determine whether that arrangement, if put into effect, will be consistent with the restrictions on private business use of the Property;

(d) in connection with the evaluation of such arrangement, the Manager should consult with nationally recognized bond counsel to the District as may be necessary to obtain federal tax advice on whether that arrangement, if put into effect, will be consistent with the restrictions on private business use of the Property, and, if not, whether any “remedial action” permitted under Section 141 of the Code may be taken by the District as a means of enabling that arrangement to be put into effect without adversely affecting the tax-exempt status of the Bonds that financed the Property; and

(e) the Manager and the User shall maintain records of such arrangements, if any, including copies of pertinent leases, contracts or other documentation, and the related determination that those arrangements are not inconsistent with the tax-exempt status of the Bonds that financed the Property.

5. Records to be Maintained for Bonds. Unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each Bond issue for as long as those Bonds remain outstanding, plus three years. For this purpose, the Bonds include refunding Bonds that refund the original Bonds and thereby refinance the Property that was financed by the original Bonds.

The records to be maintained are to include:

- (a) the official Transcript of Proceedings for the original issuance of the Bonds;
- (b) records showing how the Bond proceeds were invested, as described in paragraph 3(a) above;
- (c) records showing how the Bond proceeds were spent, as described in paragraphs 3(b) and 4(c) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of Bond issuance costs and records of allocations of Bond proceeds to make reimbursement for project expenditures made before the Bonds were actually issued;
- (d) information, records and calculations showing that, with respect to each Bond issue, the District was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that Bond

issue was calculated and timely paid with Form 8038 T timely filed with the IRS, as described in paragraphs 3(c), (d) and (e) above; and

(e) records showing that special use arrangements, if any, affecting Property made by the District with any person other than a state or local government unit are consistent with applicable restrictions on private business use of Property financed with Bond proceeds and restrictions on the use of Bond proceeds, as described in paragraph 4 above.

The basic purpose of the foregoing record retention policy for the Bonds is to enable the District to readily demonstrate to the IRS upon an audit of any Bond issue that the District has fully complied with all federal tax requirements that must be satisfied after the issue date of the Bonds so that those Bonds continue to be tax-exempt under the Code.

6. Identification and Remediation of Potential Violations of Federal Tax Regulatory Requirements for Bonds.

(a) So long as any of the District's Bond issues remain outstanding, the Manager will consult with the Users of Property at least once a year to review and determine whether current use arrangements involving that Property continue to comply with applicable federal tax requirements as described in these Compliance Procedures. This may be accomplished, for example, by meeting with Users, providing questionnaires to Users about current use arrangements, or adopting other protocols reasonably calculated to ensure compliance with applicable federal tax requirements on a continuing basis. This periodic review may be scheduled, for example, at or before the times that the District is required to file with the Municipal Securities Rulemaking Board the annual financial information and operating data pursuant to the District's undertaking to provide continuing disclosure with respect to outstanding Bond issues, or when the District is undergoing the annual audit of its financial statements.

(b) If at any time during the life of a Bond issue, the District discovers that a violation of federal tax requirements applicable to that issue may have occurred, the Manager will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable IRS regulations or to enter into a closing agreement with the IRS under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

7. Ongoing Disclosure. Under the provisions of SEC Rule 15c2-12 (the "Rule"), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of securities. Unless the District is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript of proceedings for each issue will include an undertaking by the District to comply with the Rule. The Manager, or his or her designee, of the District will monitor compliance by the District with the Undertakings. The Undertakings may include the requirement for an annual filing of operating and financial information and will include a requirement to file notices of listed events. For some types of listed events (early bond calls), the Bond Registrar has undertaken the responsibility of filing notice of the applicable material event. If audited financial statements are not available by the time of each annual filing,

the District shall file unaudited financial statements and file audited financial statements once they become available. For example, the annual filing of operating and financial information may be scheduled to occur at the same time financial information is provided to the State auditor's office, if such time is before the annual deadline described in the Undertakings.

[Form of]
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

**Southwest Suburban Sewer District, King County, Washington
Sewer Revenue Improvement and Refunding Bonds, 2014**

Southwest Suburban Sewer District, King 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 Underwriter 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. 2014-03 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 and 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, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to 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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (iii) Timely notice of a failure by the District to provide required annual financial information on or before the date specified in paragraph (b).

(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, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (2) a statement of authorized, issued and outstanding bonded debt secured by the 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, 2013; 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.

(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 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 General Manager 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, where 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 Commissioners (the "Board") of Southwest Suburban Sewer District, King County, Washington (the "District"), hereby certify as follows:


1. The attached copy of Resolution No. 2014-03 (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 April 15, 2014, as that resolution appears on the minute book of the District.

2. The Resolution will be in full force and effect immediately upon its adoption by the Board.

3. 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 passage of the Resolution.

Dated: April 15, 2014.

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON



Scott Hilsen, Secretary to the Board

CERTIFICATION

I, the undersigned, Secretary of the Board of Commissioners (the "Board") of Southwest Suburban Sewer District, King County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 2014-03 (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 April 15, 2014, as that resolution appears on the minute book of the District.

2. The Resolution will be in full force and effect immediately upon its adoption by the Board.

3. 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 passage of the Resolution.

Dated: April 15, 2014.

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON

Scott Hilsen, Secretary to the Board