

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON
RESOLUTION NO. 2011-11

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 of sewer revenue bonds in the aggregate principal amount of \$3,750,000 to provide the funds necessary to (a) pay the costs of certain improvements, including but not limited to the replacement of clarifiers and other equipment, to the District's Miller Creek Wastewater Treatment Plant and Salmon Creek Wastewater Treatment Plant, (b) fund the reserve requirement, and (c) pay the costs of issuance and sale of the bonds; fixing the date, form, denomination, maturities, interest rates, terms and covenants of the bonds; and approving the sale and providing for the delivery of the bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

ADOPTED OCTOBER 18, 2011

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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 of sewer revenue bonds in the aggregate principal amount of \$3,750,000 to provide the funds necessary to (a) pay the costs of certain improvements, including but not limited to the replacement of clarifiers and other equipment, to the District's Miller Creek Wastewater Treatment Plant and Salmon Creek Wastewater Treatment Plant, (b) fund the reserve requirement, and (c) pay the costs of issuance and sale of the bonds; fixing the date, form, denomination, maturities, interest rates, terms and covenants of the bonds; and approving the sale and providing for the delivery of the bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

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 its sewer system that includes certain improvements, including but not limited to the replacement of clarifiers and other equipment, to the District's Miller Creek Wastewater Treatment Plant and Salmon Creek Wastewater Treatment Plant (the "Improvements") and the District is now in need of funds with which to finance the Improvements; and

WHEREAS, the Board now deems it in the best interests of the District that the District issue and sell its sewer revenue bonds (as further defined herein, the "Bonds") to provide the funds necessary to (a) pay the costs of the Improvements, including reimbursing the District for prior expenditures, (b) fund the reserve requirement, and (c) pay the costs of the issuance and sale of the Bonds; and

WHEREAS, Seattle-Northwest Securities Corporation of Seattle, Washington, has offered to purchase the Bonds on the terms and conditions hereinafter set forth; 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:

“**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 13 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 utility local improvement district 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 11(b) of this resolution.

“Beneficial Owner” means the owner of any beneficial interests in the Bonds.

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

“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 Register” means the books or records maintained by the Bond Registrar for the purpose of indentifying ownership of the Bonds.

“Bond Registrar” means the Fiscal Agent.

“2004 Bonds” means the \$960,000 original aggregate principal amount of “Sewer Revenue and Refunding Bonds, 2004,” of the District authorized to be issued pursuant to Resolution No. 2004-16.

“**2005 Bonds**” means the \$2,000,000 original principal amount of “Sewer Revenue Bonds, 2005” of the District authorized to be issued pursuant to Resolution No. 2005-12.

“**2008 Bonds**” means the \$2,145,000 original principal amount of “Sewer Revenue Bonds, 2008” of the District authorized to be issued pursuant to Resolution No. 2008-12.

“**Bonds**” means the \$3,750,000 original principal amount of “Sewer Revenue Bonds, 2011” of the District authorized to be issued pursuant to this resolution.

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

“**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 of Washington.

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

“**Estimated Assessment Income**” means the estimated income to be derived from Assessments for each calendar year determined in accordance with Section 13 hereof.

“**Fiscal Agent**” means the fiscal agent of the State of Washington as the same may be designated by the State of Washington 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” means “government obligations,” as defined in Chapter 39.53 RCW, as now in existence or hereafter amended.

“Improvements” means making certain improvements, including but not limited to the replacement of clarifiers and other equipment, to the District’s Miller Creek Wastewater Treatment Plant and Salmon Creek Wastewater Treatment Plant.

“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.

“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.

“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 2004 Bonds currently outstanding in the principal amount of \$370,000 maturing in the years 2012 to 2019, inclusive; the 2005 Bonds currently outstanding in the principal amount of \$1,395,000 maturing in the years 2012 to 2017, inclusive and 2020; and the 2008 Bonds currently outstanding in the principal amount of \$1,920,000 maturing in the years 2012 to 2017, inclusive, 2022 and 2028.

“Owners” means, without distinction, the Registered Owner(s) and the Beneficial Owner(s).

“Parity Bond Authorizing Resolutions” means Resolution Nos. 2004-16, 2005-12, and 2008-12 authorizing the issuance of the 2004 Bonds, the 2005 Bonds, and the 2008 Bonds, respectively.

“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.

“Purchase Agreement” means the written Bond Purchase Agreement dated October 18, 2011, between the Underwriter and the District, in which the Underwriter has offered to purchase the Bonds under the terms and conditions provided therein.

“Rating Agencies” means 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.

“Registered Owner” means the person in whose name a Bond is registered on the Bond Register.

“Registration Resolution” means Resolution No. 85-50 of the District establishing a system of registration for the District’s bonds and other obligations.

“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 moneys 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 Expenses. 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.

“**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 of the Rating Agencies.

“**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.

“**Term Bonds**” means any Parity Bonds which are designated as “Term Bonds” in a resolution authorizing the issuance of Parity Bonds.

“**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 continuing disclosure agreement set forth in Section 19 of this resolution.

“**Underwriter**” means Seattle-Northwest Securities Corporation, 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 Parity Bond Authorizing Resolutions and that there will be on file prior to the issuance and delivery of the Bonds a certificate of the General Manager of the District that satisfies the conditions for such certificate as set forth in the Parity Bond Authorizing Resolutions. Therefore, the Bonds shall be issued on a parity of lien with the Outstanding Parity Bonds.

Section 3. Purpose, Authorization and Description of the Bonds. For the purpose of providing part of the money necessary to (a) pay the costs of the Improvements, including reimbursing the District for certain prior payments made by the District in connection with the Improvements; (b) fund the Reserve Requirement, and (c) pay the costs of issuance and sale of the Bonds, the District shall incur indebtedness and shall issue the Bonds therefor in the aggregate principal amount of \$3,750,000.

The Bonds shall be called Southwest Suburban Sewer District, King County, Sewer Revenue Bonds, 2011. The Bonds shall be dated their date of initial delivery to the Underwriter; shall be in Authorized Denominations; shall be numbered separately and in the manner and with any additional designation as the Bond Registrar deems necessary for purpose of identification; and shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date to which interest has been paid, whichever is later, payable semiannually on each November 1 and May 1, commencing May 1, 2012, to the maturity or earlier redemption of the Bonds. The Bonds shall mature on May 1 in each of the years and in amounts and bear interest at the rates per annum as set forth in Exhibit A.

Section 4. Bond Registrar; Registration and Transfer of Bonds.

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

(b) 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 Register shall contain the name and mailing address of the

Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner.

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 Registration Resolution.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become either an Owner of Bonds 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.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds 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 or transfer any Bond during the 15 days preceding any principal payment or redemption date.

(c) DTC and the Book Entry System. The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the District nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the

Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository or nominee shall be deemed to be the Registered Owner for all purposes hereunder. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor is qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the District or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the District that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the District may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository and no substitute depository can be obtained or (ii) the District determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 5. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations. If the Bonds cease to be in book-entry-only form, interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the Registered Owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or by electronic transfer on the interest payment date. The District shall not be required to make electronic transfers except to a Registered Owner of Bonds pursuant to a request in writing (and at the sole expense of that Registered Owner) received at least 10 days before an interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar. The Bonds are payable solely out of the Bond Fund and shall not be general obligations of the District.

Section 6. Form and Execution of Bonds. The Bonds shall be prepared in a form consistent with the provisions of this resolution and State law, shall be signed by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile, and the seal of the District or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in 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 Bonds, 2011, described in the Bond Resolution.” The authorized signing of a Certificate of

Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the District authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the District, those Bonds nevertheless may be authenticated, delivered and issued 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 the date of issuance of the Bonds.

Section 7. Redemption and Open Market Purchase of Bonds.

(a) Optional Redemption. The Bonds maturing in the years 2012 through 2021, inclusive, shall be issued without the right or option of the District to redeem those Bonds prior to their stated maturity dates. The District reserves the right and option to redeem the Bonds maturing on or after May 1, 2023, prior to their stated maturity dates at any time on or after May 1, 2021, as a whole or in part (within one or more maturities selected by the District), at par plus accrued interest to the date fixed for redemption.

(b) Mandatory Redemption. Bonds maturing in 2023, 2026, 2029 and 2031 are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption at par plus accrued interest on November 1 in years and amounts as set forth in Exhibit A. If the District redeems under the optional redemption provisions, purchases in the open market or

defeases Term Bonds, the par amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. 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 maturity of Term Bonds for which notice of redemption has not already been given.

(c) Partial Redemptions. Portions of the principal amount of any Bond, in any Authorized Denomination, may be redeemed. If less than all of the 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 maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

(d) Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds within a maturity are to be redeemed prior to maturity, selection of Bonds for redemption shall be random within a maturity in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

(e) Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations. If the Bonds cease to be in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, the District shall cause notice of any intended redemption of Bonds to 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 of each Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Owner of any Bond.

In the case of an optional redemption, the notice may state that the District retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB, consistent with the Undertaking, to any nationally recognized rating agency which at the time maintains a rating on the Bonds at the request of the District, 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 Bonds.

(f) Effect of Redemption. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption, except in the case of a rescinded optional redemption as described above, or unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

(g) Open Market Purchase. The District further reserves the right and option to purchase any or all of the Bonds 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 8. Failure To Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or date set 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 set 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 and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 9. Disposition and Use of Bond Proceeds. The Treasurer is authorized and directed to deposit in the District's Bond Fund, previously created and established in the office of the Treasurer, the accrued interest received from the Underwriter, if any. Until needed to pay principal of and interest on the Bonds, the District may invest money in the Bond Fund temporarily in any legal investment, and the investment earnings shall be retained in the Bond Fund and be spent for the purposes of that fund.

An amount of principal proceeds sufficient to fund the Reserve Requirement on the date of issue of the Bonds shall be deposited in the Reserve Account. The Treasurer is further authorized and directed to deposit in one or more accounts of the District's Construction Fund previously created and established in the office of the Treasurer, the remaining principal proceeds of the Bonds received from the Underwriter to be used to pay the costs of the Improvements and costs of issuance as specified in Section 3 herein. Until needed to pay the costs of the Improvements, the District may invest money in the Construction Fund temporarily in any legal investment, and the investment earnings shall be retained in the Construction Fund and be spent for the purposes of that fund.

Section 10. 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 moneys shall not have been provided by Assessment Income or income from the investment of moneys 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 moneys shall not have been provided by Assessment Income or income from the investment of moneys in the Bond Fund;
- (d) To make all payments required to be made into the Reserve Account for which moneys shall not have been provided by Assessment Income or income from the investment of moneys 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 11. Bond Fund and Accounts—Required Payments. A special fund of the District known as the “Southwest Suburban Sewer District Revenue Bond Fund 2004”

(hereinbefore defined as 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 hereafter created to pay part of the cost of improvements to the System for which Future Parity Bonds are issued.

(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 moneys 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, at closing, from District funds 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 assets 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 moneys remaining on deposit in the Reserve Account are 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 moneys 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 moneys 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 10 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 moneys first available therefor pursuant to Section 10 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 moneys first available therefor pursuant to Section 10 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 of the System 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 of the System prior and superior to all other charges of any kind or nature whatsoever.

(d) Investment of Moneys 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 Expenses 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 Expenses.

Section 12. Bond Covenants. The District covenants and agrees with the owner of each Bond at any time outstanding, as follows:

(a) Maintenance and Operation. It 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 which have been heretofore created by the District and pledged herein to secure the payment of the principal of and interest on the Parity Bonds and all Assessments levied in ULIDs which are hereafter created to secure the payment of the principal of and interest on Future Parity Bonds 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 said 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 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 were 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 of the System 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 of the System will be at least equal to the Coverage Requirement during the 5 fiscal years following the fiscal year in which the transfer is to occur, taking into account, (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 13 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). It 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. It will not issue any Parity Bonds except as permitted pursuant to the provisions of Section 13 of this resolution.

Section 13. Future Parity Bonds. The District further covenants and agrees with the owners and holders of each of the Bonds that, for as long as any of the Bonds remain

outstanding, the District will not issue any bonds having a greater or equal priority of lien upon the Revenue of the System to pay and secure the payment of the principal of and interest on the outstanding Parity Bonds or 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 11 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 11(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 twenty-four month period, had been in force during the full twelve-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 13 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 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 moneys are not otherwise available.

Section 14. Preservation of Tax Exemption for Interest on Bonds. The District covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the District treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes.

Section 15. Small Governmental Issuer Arbitrage Rebate Exception and Designation of Bonds as “Qualified Tax-Exempt Obligations.” The District finds and declares that (a) it is a duly organized and existing governmental unit of the State and has general taxing power; (b) no Bond which is part of this issue of Bonds is a “private activity bond” within the meaning of Section 141 of the Code; (c) at least 95% of the net proceeds of the Bonds will be used for local governmental activities of the District (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the District); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the District and all entities subordinate to the District (including any entity which the District controls, which derives its authority to issue tax-exempt obligations from the District or which issues tax-exempt obligations on behalf of the District) during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000; and (e) the amount of tax-exempt obligations, including the 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 Bonds are issued does not exceed \$10,000,000. The District therefore certifies that the Bonds are eligible for the arbitrage rebate exception under Section 148(f)(4)(D) of the Code and designates the Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

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, ULID 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 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 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. Approval of Bond Purchase Contract. The Underwriter has presented a purchase contract (the “Bond Purchase Contract”) to the District offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the Secretary of the Board. The Board finds that entering into the Bond Purchase Contract is in the District’s best interest and accepts the offer contained therein and authorizes its execution by District officials. The Bonds will be printed at District expense and will be delivered to the Underwriter in accordance with the Bond Purchase Contract, together with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds.

The proper District officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of the sale thereof, and to execute such certificates and documents as are consistent with the purposes of this resolution.

Section 18. Official Statement. The District has been provided with copies of a Preliminary Official Statement dated October 13, 2011, prepared in connection with the sale of the Bonds. For the sole purpose of the Underwriter’s compliance with paragraph (b)(1) of the Rule, the District deems “final” that Preliminary Official Statement as of its date, except for the omission of information permitted to be omitted by the Rule, and ratifies the distribution by the Underwriter of that Preliminary Official Statement to potential purchasers of the Bonds. The District authorizes and approves the preparation, execution by the General Manager and delivery

to the Underwriter of a final Official Statement for the Bonds, in the form of the Preliminary Official Statement, with such modifications and amendments thereto as shall be deemed necessary or desirable by the District. The District authorizes and approves the distribution by the Underwriter of that final Official Statement to potential purchasers and purchasers of the Bonds.

Section 19. 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 District makes the following written Undertaking for the benefit of holders of the Bonds:

(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 subsection (b) of this Section (“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 events are defined in the Rule;
- (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 subsection (b) of this Section.

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

(i) Shall consist of (A) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to State local governmental units such as the District, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the District they will be provided; (B) a statement of authorized, issued and outstanding bonded debt secured by the Net Revenue; (C) debt service coverage ratios; and (D) 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, 2010; 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. The 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 the Rule. 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. The Undertaking shall inure to the benefit of the District, the Underwriter and each Owner, 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 the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the District's obligations under the Undertaking shall terminate if those provisions of the Rule which require the District to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the District, and the District provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the District learns of any failure to comply with the 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 the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any Owner shall be to take such actions as that Owner deems necessary, including seeking an order of specific performance from an appropriate court, to compel the District or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The General Manager or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking in accordance with the Rule, including the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) of this Section 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 the Rule 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 in accordance with the Rule;

(iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the District in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

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 the Bonds or 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 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 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 passed pursuant to the provisions of this Section for any one or more of the following purposes:

(i) As consistent with Section 10 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 of the System,” 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 to 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; and

(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.

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.

[Remainder of page intentionally left blank.]

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 18th day of October, 2011.

SOUTHWEST SUBURBAN SEWER DISTRICT
KING COUNTY, WASHINGTON

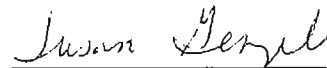
*Individual Commissioner's
Vote on Resolution*

In favor of:
Opposed:
Abstained:



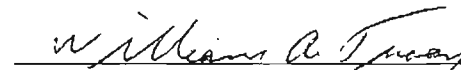
Scott Hilsen,
President and Commissioner

In favor of:
Opposed:
Abstained:



Susan Genzale,
Vice President and Commissioner

In favor of:
Opposed:
Abstained:



William A. Tracy,
Secretary and Commissioner

ATTEST:

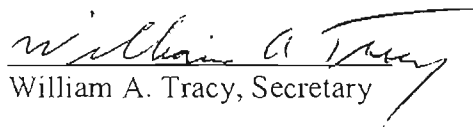

William A. Tracy, Secretary

EXHIBIT A
Bond Pricing Information

Bond Maturity Schedule:

<u>Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>
2012	\$135,000	2.00%	2021	\$175,000	3.00%
2013	140,000	2.00	***	***	***
2014	145,000	2.00	2023	375,000	4.00
2015	145,000	3.00	***	***	***
2016	150,000	4.00	2026	620,000	4.00
2017	155,000	3.00	***	***	***
2018	160,000	3.00	2029	700,000	4.00
2019	165,000	3.00	***	***	***
2020	170,000	3.00	2031	515,000	4.00

Mandatory Redemption Schedule:

2023 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2022	\$185,000
2023*	190,000

*Maturity

2026 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2024	\$200,000
2025	205,000
2026*	215,000

*Maturity

2029 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2027	\$225,000
2028	235,000
2029*	240,000

*Maturity

2031 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2030	\$250,000
2031*	265,000

*Maturity

CERTIFICATION

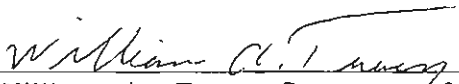
I, the undersigned, Secretary of the Board of Commissioners (the "Board") of Southwest Suburban Sewer District, King County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 2011-11 (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 October 18, 2011, as that resolution appears on the minute book of the District; and the Resolution is now in full force and effect.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of October, 2011.

SOUTHWEST SUBURBAN SEWER DISTRICT,
KING COUNTY, WASHINGTON



William A. Tracy, Secretary of the Board of
Commissioners