

MASON COUNTY, WASHINGTON

RESOLUTION NO. 1087

A RESOLUTION of the Board of Mason County Commissioners of Mason County, Washington, providing for the immediate issuance and sale of water revenue bonds in the amount of \$530,300 to obtain the funds with which to pay the cost of carrying out the Water General Plan of the Beard's Cove area of the County, adopted October 10, 1977, by Resolution No. 811, applicable to Utility Local Improvement District No. 1 heretofore created by Resolution No. 818; fixing the date, form, interest rate, denominations, maturities, terms and covenants of the bonds; creating a water revenue bond fund; and providing for the sale of such bonds as a single bond to the United States of America, Farmers Home Administration.

WHEREAS, the Board of County Commissioners by Resolution No. 811, adopted October 10, 1977, duly adopted the Water General Plan for the Beard's Cove area of the County as an element of the comprehensive plan for the physical development of the County; and

WHEREAS, the Board of County Commissioners by Resolution No. 818, adopted November 28, 1977, duly created Utility Local Improvement District No. 1 of the County and ordered the acquisition and construction of the Water General Plan for the Beard's Cove area of the County; and

WHEREAS, the Board of County Commissioners by Resolution No. 1036, adopted August 20, 1979, duly approved and confirmed the assessment roll in Utility Local Improvement District No. 1, which roll is in the amount of \$529,848.22; and

WHEREAS, the County has entered into a revised Loan Agreement with the United States of America, Farmers Home Administration, providing for a loan in the amount of not to exceed \$530,300 under the conditions, terms and specifications set forth in that Loan

Agreement, such loan to be evidenced by the issuance and sale of a water revenue bond or bonds in the principal amount of not to exceed \$530,300; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MASON COUNTY, WASHINGTON, as follows:

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

(a) "Annual Debt Service" for any year shall mean all the interest due upon all Bonds and Parity Bonds in such year, plus all principal (except the principal of any Term Bonds) and all mandatory redemption and sinking fund requirements for Term Bonds, which will mature or become due in such year, less all capitalized interest payable in such year from the proceeds of any Bonds or Parity Bonds.

(b) "Board" shall mean the Board of County Commissioners of the County.

(c) "Bond Fund" shall mean the "Water Revenue Bond Fund, 1979," created by this resolution for the purpose of paying the principal of and interest on the Bonds and any Parity Bonds.

(d) "Bonds" shall mean the \$530,300 par value of "Water Revenue Bonds, 1979," of the County issued pursuant to and for the purposes provided in this resolution.

(e) "Construction Fund" shall mean the "Water Construction Fund - ULID No. 1" in the office of the County Treasurer created by Resolution No. 818 of the County adopted November 28, 1977.

(f) "County" shall mean Mason County, Washington, and the corporate authorities thereof.

(g) "Gross Revenue of the Water Utility" shall mean all of the earnings and revenue received by the Water Utility from any source whatsoever, except assessments and installments thereof and interest and any penalties thereon levied or collected in any

utility local improvement district of the County and except general taxes and grants.

(h) "Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service which will mature or become due in any future year.

(i) "Net Revenue of the Water Utility" shall mean the Gross Revenue of the Water Utility, less the Operation and Maintenance Expenses.

(j) "Operation and Maintenance Expenses" shall mean all reasonable expenses incurred by the Water Utility in causing that utility to be operated and maintained in good repair, working order and condition, but shall not include depreciation and County-levied taxes for County purposes.

(k) "Parity Bonds" shall mean any and all water revenue bonds (or water and sewer revenue bonds in the event the County shall lawfully combine a sewer utility or system of sewerage with the Water Utility) of the County, payable from the Bond Fund and the payment of which, both principal and interest, constitutes a lien and charge upon the Gross Revenue of the Water Utility and utility local improvement district assessments, and interest and penalties thereon, payable into the Bond Fund equal in rank with the lien and charge upon such revenue and assessments, interest and penalties for the payments required to pay or secure the payment of the Bonds.

(l) "Principal and Interest Account" shall mean the account of that name created in the Bond Fund from which money will first be used to pay the principal of and interest on the Bonds and Parity Bonds.

(m) "Reserve Account" shall mean the account of that name created in the Bond Fund to secure the payment of the principal of and interest on the Bonds and any Parity Bonds.

(n) "Single Bond" shall mean the single bond or bonds authorized and described in Section 2 of this resolution which may be substituted for the Bonds as evidence of its obligation authorized herein or any specified part thereof. All provisions of this resolution applicable to the Bonds shall be equally applicable to the Single Bond, and vice versa, unless the conditions of any such provision shall clearly indicate to the contrary.

(o) "Term Bonds" shall mean those numbered outstanding bonds of the Bonds or any single issue or series of Parity Bonds scheduled to mature in a Term Bond Maturity Year.

(p) "Term Bond Maturity Year" of the Bonds or any issue or series of Parity Bonds shall mean any year in which the amount of Bonds or the bonds of such issue or series of Parity Bonds scheduled to mature (regardless of any reservation of prior redemption rights) is more than 1.25 times the average annual principal maturities of the Bonds or bonds of such issue or series of Parity Bonds (not including other Term Bonds) for the three years immediately preceding such year.

(q) "Water General Plan" shall mean the Water General Plan for the Beard's Cove area of the County, adopted by Resolution No. 811 and as it may be modified and amended now or in the future.

(r) "Water Utility" shall mean the public water system of the County, and as the same shall be added to, bettered, improved, and extended for as long as any of the Bonds and any Parity Bonds are outstanding, and, in the event the County shall lawfully combine a sewer utility or system of sewerage with the Water Utility, the term shall also include that sewer utility or system of sewerage.

Section 2. For the purpose of providing funds with which to carry out the Water General Plan, the County shall cause to be issued the Single Bond in the amount of \$530,300. The Single Bond

shall be dated as of December 1, 1979, shall be registered as to both principal and interest in the office of the County Treasurer of the County as registrar, shall be numbered R-1, and shall bear interest at the rate of 5% per annum. Interest shall be payable from the date of delivery of the Bond to the purchaser thereof to June 1, 1980, and semiannually thereafter on each December 1 and June 1, and if the principal installments are not paid at their respective maturity dates, with full obligation on the part of the County to pay interest at the bond rate from and after such maturity dates until the Single Bond (or Bonds, if later converted to serial bonds), both principal and interest, are paid in full, or sufficient money is on deposit in the Bond Fund for such payments and the Single Bond has been duly called for payment or redemption. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the County Treasurer of the County. The Bonds shall be payable solely out of the Bond Fund and shall not be a general obligation of the County.

The Single Bond shall be payable in principal installments on December 1 of each year in accordance with the following schedule:

<u>Year</u>	<u>Amount</u>
1981	\$ 17,000
1982	18,000
1983	19,000
1984	20,000
1985	21,000
1986	22,000
1987	23,000
1988	24,000
1989	26,000
1990	27,000
1991	28,000
1992	30,000
1993	31,000
1994	33,000
1995	34,000
1996	36,000
1997	38,000
1998	40,000
1999	43,300

The Single Bond shall be registered as to principal and interest and thereafter shall be payable as directed by the purchaser but otherwise conforming to the requirements of the Bonds. The County covenants that upon request of the holder of a Single Bond it shall issue at its own expense and within 90 days from the date of such request negotiable bearer serial coupon bonds in the denomination of \$100 each or a multiple thereof, in an aggregate amount equal to the amount of the Single Bond still outstanding. The printing of the text of the Single Bond (or Bonds, if later converted to serial bonds) shall be of type composition on paper of sufficient weight and strength to prevent deterioration throughout the life of the loan, except that the Single Bond may be typed on bond paper. The Single Bond shall conform in size to standard practice and contain the approved maturity schedule for payment of principal.

Section 3. The County reserves the right to prepay on any interest payment date the entire unpaid principal of the Bonds, or, from time to time, in inverse chronological order of principal installments, may prepay such lesser portion in multiples of \$100 as the County may determine of the unpaid principal amount thereof, plus accrued interest to the date of such prepayment. As long as the United States of America shall hold the Single Bond, the County may make such prepayments at any time.

Notice of any such optional prepayment shall be mailed by registered mail to the registered owners of the Bonds to be redeemed at their addresses appearing on the registry book at least 30 days prior to the prepayment date and, unless all of the Bonds to be prepaid are registered Bonds, it shall be published once in a financial journal published in the English language and of general circulation in New York, New York, such publication to be not more

than 60 nor less than 30 days prior to the date fixed for such prepayment. Interest on any bond so called for prepayment shall cease on the date fixed for its prepayment unless the bond shall not be paid upon presentation made pursuant to such call.

Section 4. There is created in the office of the County Treasurer the Bond Fund (hereinbefore defined and designated as the "Water Revenue Bond Fund, 1979"). The Bond Fund shall be divided into two accounts: a Principal and Interest Account and a Reserve Account. So long as any Bonds are outstanding and payable from the Bond Fund, the County covenants to set aside and pay into such fund out of the Net Revenue of the Water Utility, and all special assessments and interest and penalties thereon levied and collected in Utility Local Improvement District No. 1, a fixed amount without regard to any fixed proportion into the two accounts therein and to use such money as follows:

(a) Principal and Interest Account. There shall be paid into the Principal and Interest Account all assessments and interest and penalties thereon paid in Utility Local Improvement District No. 1, and, to the extent there is insufficient money in the account to meet the current debt service obligations of the Bond Fund, on or before the 5th business day immediately preceding each interest payment date of the Bonds then outstanding, beginning with the month of December, 1980, and continuing thereafter, the interest to become due and payable on the Bonds then outstanding on that annual interest payment date, and beginning with the month of December, 1981, and continuing thereafter, the principal payments next due on the Bonds then outstanding. Subject to the other requirements of the Bonds and this resolution, additional money may be deposited in such account. Money in the Principal and Interest Account shall be used first to pay the principal of and interest on the Bonds when due and then may be used to prepay principal or redeem or purchase Bonds prior to their maturity dates in accordance with this resolution.

(b) Reserve Account. Such deposits will be made into the Reserve Account as may hereafter be prescribed by resolution of the County.

Subject to any requirement to prepay principal on the Bonds or Parity Bonds, money in the Bond Fund not required to pay principal and interest installments when due may be invested in any legal investment permitted to the County for a period not in excess of the time when such money will be required to pay any such installments. Earnings from such investment shall be placed in the account from which the investment was made.

It is hereby declared that in creating the Bond Fund and in fixing the amounts to be paid into it, the Board has had due regard for the Operation and Maintenance Expenses of the Water Utility, and hereby declares that the Board is not setting aside into the Bond Fund a greater amount than in its judgment will be available over and above such Operation and Maintenance Expenses.

If the County fails to set aside and pay into the Bond Fund the amounts above set forth, the holder of any of the outstanding Bonds may bring action against the County and compel such setting aside and payment.

Section 5. The Gross Revenue of the Water Utility and all assessments and installments thereof, plus interest and any penalties thereon, levied and hereafter collected in Utility Local Improvement District No. 1 are hereby pledged for the payment of the Bonds. This pledge shall constitute a lien or charge upon such Gross Revenue of the Water Utility and such assessments and payments prior and superior to any other charges whatsoever, subject only to Operation and Maintenance Expenses, except that the County may issue Parity Bonds pursuant to Section 9 of this resolution.

Section 6. The registered Single Bond to be issued to the United States of America, Farmers Home Administration, shall be in substantially the following form:



No. R-1

\$530,300.00

UNITED STATES OF AMERICA

STATE OF WASHINGTON

MASON COUNTY

WATER REVENUE BOND, 1979

5%

Mason County, Washington (the "County"), a municipal corporation of the State of Washington, for value received promises to pay to the United States of America, Farmers Home Administration, or its registered assigns, the principal sum of

FIVE HUNDRED THIRTY THOUSAND THREE HUNDRED DOLLARS

payable in installments on December 1 of each year in accordance with the following schedule:

<u>Year</u>	<u>Amount</u>
1981	\$ 17,000
1982	18,000
1983	19,000
1984	20,000
1985	21,000
1986	22,000
1987	23,000
1988	24,000
1989	26,000
1990	27,000
1991	28,000
1992	30,000
1993	31,000
1994	33,000
1995	34,000
1996	36,000
1997	38,000
1998	40,000
1999	43,300

together with interest thereon at the rate of five percent (5%) per annum, payable on June 1, 1980, and semiannually thereafter on each December 1 and June 1, and if the principal installments are not paid by their respective maturity dates, with full obligation on the part of the County to pay interest at the bond rate from and after such maturity dates until this bond, both principal and interest, are paid in full, or sufficient money is on deposit in the special fund of the County known as the "Water Revenue Bond Fund, 1979" (the "Bond Fund"), created by Resolution No. \_\_\_\_\_, adopted \_\_\_\_\_, 1979, (the "Bond Resolution"), for such payments and this bond has been duly called for payment or redemption.

Both principal of and interest on this bond are payable at the office of the Treasurer of Mason County in Shelton, Washington, in such coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for payment of debts due the United States of America solely out of the Bond Fund, into which fund the County hereby irrevocably binds and obligates itself to pay certain fixed amounts without regard to any fixed proportion, out of the Gross Revenue of the Water Utility of the County as the same is defined in the Bond Resolution, namely, amounts sufficient to pay the principal of and interest on this bond and on any additional bonds hereafter issued on a parity of lien with this bond, in accordance with the provisions of Section 9 of the Bond Resolution at any time outstanding ("Parity Bonds"), as they respectively become due, all at the time and in the manner set forth in the Bond Resolution, upon which shall be credited any payments actually received from the collection of assessments in Utility Local Improvement District No. 1, and any utility local improvement districts hereafter created to secure the payment of any Parity Bonds. The amounts so pledged to be paid out of the Gross Revenue of the Water Utility and such utility local improvement district assessments are hereby declared to be a lien and charge upon such gross revenue and assessments prior and superior to all other charges of any kind or nature subject only to operation and maintenance expenses. This bond is not a general obligation of the County.

Payments of principal and interest, including prepayments of installments of principal as hereinafter provided, shall be noted on the Payment Record made a part of this bond, and such payment shall fully discharge the obligation of the County hereon to the extent of the payments so made. Upon final payment of principal and interest this bond shall be submitted to the Treasurer of the County for cancellation.

This bond, designated as the "Water Revenue Bond, 1979," of the County, is issued in the aggregate principal amount of \$530,300 pursuant to the laws of the State of Washington for the purpose of providing the funds with which to pay the cost of carrying out the Water General Plan for the Beard's Cove area of the County as adopted in Resolution No. 811 and ordered to be carried out by Resolution No. 818, all as set forth in the Bond Resolution. Reference is made to the Bond Resolution as more fully describing the covenants with and rights of holder of this bond.

As provided in the Bond Resolution, this bond is exchangeable at the sole expense of the County at any time, upon 90 days' notice, at the request

of the registered owner hereof and upon surrender of this bond to the County Treasurer in Shelton, Washington, for negotiable coupon bonds, payable to bearer, registrable at the option of the holder as to principal in the denomination of One Hundred Dollars (\$100) each or a multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond, and in the form of such coupon bond as provided for in the Bond Resolution.

The County reserves the right to prepay on any interest payment date the entire unpaid principal hereof, or, from time to time, in inverse chronological order of principal installments, may prepay such lesser portion as the County may determine of the unpaid principal amount thereof, plus accrued interest to the date of such prepayment. As long as the United States of America shall hold this bond, the County may make such prepayments at any time.

Notice of any such optional prepayment shall be given at least 30 days prior to the prepayment date by mailing to the registered owner of this bond a notice fixing such prepayment date and the amount of principal to be prepaid.

This bond may be assigned and upon such assignment the assignor shall promptly notify the County at the office of the County Treasurer by registered mail, and the assignee shall surrender the same to the County Treasurer either in exchange for a fully registered bond or for transfer on the registration records and verification of the endorsements made on the Payment Record attached hereto of the portion of the principal amount hereof and interest hereon paid or prepaid, and every such assignee shall take this bond subject to such condition.

The County covenants and agrees with the holder of this bond that it will keep and perform all of the covenants of this bond and of the Bond Resolution to be by it kept and performed.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and the laws of the State of Washington and the resolutions of the County and that all acts, conditions and things required by law to exist, happen and be performed precedent to and in issuance of this bond do exist, have happened and have been performed as required by law.

IN WITNESS WHEREOF, the County has caused this bond to be signed by the manual signature of the Chairman of its Board of County Commissioners and attested by the manual signature of the County

Auditor, as ex officio Clerk of the Board, and the seal of the Board to be hereto affixed as of the \_\_\_\_\_ day of December, 1979.

MASON COUNTY, WASHINGTON

By \_\_\_\_\_  
Chairman of its Board  
of County Commissioners

ATTEST:

\_\_\_\_\_  
County Auditor, as ex officio  
Clerk of the Board

CERTIFICATE OF THE COUNTY TREASURER

This bond is the single registered installment bond described in the within-mentioned Resolution No. \_\_\_\_\_.

\_\_\_\_\_  
Treasurer of Mason County,  
Washington

(FORM OF PAYMENT RECORD)

<u>Date Due</u>	<u>Principal Payment</u>	<u>Principal Balance Due</u>	<u>Interest Payment 5%</u>	<u>Date Paid</u>	<u>Signature of County Treasurer</u>
June 1, 1980	_____	_____	_____	_____	_____
December 1, 1980	_____	_____	_____	_____	_____
June 1, 1981	_____	_____	_____	_____	_____
December 1, 1981	_____	_____	_____	_____	_____
June 1, 1982	_____	_____	_____	_____	_____
Etc.	_____	_____	_____	_____	_____

SCHEDULE A

Principal installments on which payments have been made prior to maturity.

<u>Principal Due Date</u>	<u>Principal Amt.</u>	<u>Principal Payment</u>	<u>Balance</u>	<u>Date Paid</u>	<u>Signature of County Treasurer</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner thereof hereby sells, assigns and transfers the within bond unto \_\_\_\_\_  
\_\_\_\_\_

DATED: \_\_\_\_\_

In the presence of:  
\_\_\_\_\_

The Single Bond shall be redeemable in whole or in part in the manner set forth in Section 3 hereof, except that there need be no publication of notice of redemption.

The Single Bond may also be transferred by the registered owner thereof, provided that such transfer relates to the entire principal amount of the Single Bond, by proper execution of the assignment endorsed on such Bond, and any such transfer shall be noted on the bond registration book of the County by the County Treasurer.

If the Single Bond is exchanged for serial Bonds, such definitive serial Bonds shall be in the denomination of \$100 each or a multiple thereof, shall have coupons attached bearing maturity dates representing all unpaid installments of interest due on each of those Bonds, shall be in the total principal sum of the unpaid principal due on the Single Bond and shall mature as provided in Section 2 hereof on those dates of maturity which have not occurred on the date of such exchange, except that if any prepayment authorized herein shall have been effected the same shall be deemed to have redeemed such definitive serial Bonds in inverse numerical order. Such definitive serial Bonds and the coupons attached thereto shall be executed as herein provided therefor.

Section 7. The Single Bond may be in typewritten form or may be printed on lithographed form, shall be signed by the Chairman

of the Board of County Commissioners, attested by the County Auditor as ex officio Clerk of the Board, and shall be sealed with the County seal. If any bearer coupon Bonds are issued upon the conversion of the Single Bond, the same shall be signed by the facsimile signature of the then Chairman of the Board of County Commissioners and shall be attested by the manual signature of the then County Auditor, as ex officio Clerk of the Board and shall bear the seal of the Board and shall have interest coupons attached thereto executed with facsimile signatures of the persons who are then those officials.

Section 8. The County covenants and agrees with the owner and holder of each of the Bonds while any of the same are outstanding, as follows:

(a) All assessments and installments thereof in Utility Local Improvement District No. 1 heretofore created and in any other utility local improvement district now or hereafter created to secure payment of the principal of and interest on any Parity Bonds shall be paid into the applicable accounts in the Bond Fund respectively and shall be used to pay and secure the payment of the principal of and interest on the applicable Bonds or Parity Bonds. Nothing in this resolution or this section shall be construed to prohibit the County from issuing water (or water and sewer) revenue bonds junior in lien to the Bonds and pledging as security for their payment assessments levied in any utility local improvement district which may have been specifically created to pay part of the cost of improvements to the Water Utility for which those junior lien bonds were specifically issued.

(b) It will establish, maintain and collect such rates and charges for Water Utility service, which, together with other Gross Revenue of the Water Utility and the collection of special assessments, both principal, interest and penalties, in Utility Local Improvement District No. 1 and in any utility local improvement districts now or hereafter created, the assessments in which are pledged to the payment of Parity Bonds, including interest earned on investment money in the Bond Fund, will make available for the payment of the principal and interest as the same shall become due on the Bonds and on any Parity Bonds hereafter issued, an amount of Net Revenue of the Water Utility which shall be

sufficient to pay the then current debt service on the Bonds and, if Parity Bonds are outstanding, be equal to at least 1.2 times the Maximum Annual Debt Service on the then outstanding Bonds and Parity Bonds (except that this coverage requirement may be waived or modified by written consent of the bondholders representing 75% of the then outstanding principal indebtedness payable from the Bond Fund) and shall otherwise conform to the requirements of Section 9.

(c) It will at all times maintain the Water Utility in good repair, working order and condition, and will at all times operate the utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) It will use the Gross Revenue of the Water Utility for the following purposes only and in the following order of priority:

(1) To pay necessary Operation and Maintenance Expenses;

(2) To make all payments, as required to be made, into the Principal and Interest Account for the outstanding Bonds and any outstanding Parity Bonds in amounts which, together with assessments and interest and penalties thereon received and required to be paid into that account, will be sufficient to pay the principal of and interest on the Bonds and Parity Bonds as the same shall become due;

(3) To make all payments required to be made into the Reserve Account;

(4) To make all required payments into any other revenue bond redemption fund or funds and reserve account or accounts therein which may be later created for the purpose of paying and securing the payment of the principal of and interest on any junior lien water revenue bonds hereafter issued by the County; or to make necessary additions, betterments and improvements and repairs to or extensions and replacements of the Water Utility; or to expend such revenue for any other proper purposes connected with the operation of the Water Utility for which such money may be lawfully used, including, but not limited to, the payment of debt service on, or otherwise redeem, any general obligation bonds issued by the County to pay the cost of any Water Utility facilities and to retire by redemption or purchase outstanding water (or water and sewer) revenue bonds of the County as authorized in the various bond resolutions of the County.

(e) It will not sell or voluntarily dispose of all of the properties of the Water Utility unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of, premium if any, and interest on all of the Bonds and Parity Bonds then outstanding in accordance with the terms thereof, nor will it sell or voluntarily dispose of any part of the properties of the Water Utility (unless the same are no longer used, useful or necessary in the operation of the utility) unless provision is made for payment into the Bond Fund of an amount which will be in at least the same proportion to the amount of the Bonds and Parity Bonds then outstanding that the Net Revenue of the Water Utility derived from that part of the Water Utility sold or disposed of which is available for debt service on such bonds then outstanding for the twelve months' preceding such sale or disposition bears to the Net Revenue of the Water Utility available for such debt service from the entire Water Utility for the same service and retire such outstanding Bonds and Parity Bonds at the earliest possible date.

(f) It will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to its Water Utility, it will furnish the original holder or holders of the Bonds not more than 90 days after the close of each fiscal year a complete operating and income statement of the Water Utility in reasonable detail, and it will similarly furnish such statements to any subsequent holder or holders of the Bonds at the written request of such holder or holders thereof, and it will grant any holder or holders of at least twenty-five percent of the total outstanding Bonds and Parity Bonds the right at all reasonable times to inspect the Water Utility and all records, accounts and data of the County relating thereto. If the United States Government is not the owner or holder of any of the Bonds or Parity Bonds, then in lieu of such operating and income statement, the County may furnish copies of the audit made by the Auditor of the State of Washington as required by law.

(g) It will at all times carry fire and extended coverage and such other forms of insurance on such of the buildings, equipment, facilities and properties of the Water Utility as under good practice are ordinarily carried on such buildings, equipment, facilities and properties to the full insurable value thereof if such insurance can be purchased at a reasonable cost, and will also carry adequate public liability insurance at all times, and war risk insurance on all of such properties if the same should become available. The premiums on such insurance policies shall be a normal cost of the operation and maintenance of the Water Utility.



(h) It will not furnish Water Utility service to any customer whatsoever free of charge. It shall, not later than 60 days after the end of each calendar year, take such legal action as may be feasible to enforce collection of all collectible delinquent accounts and that it shall as soon as permitted by law proceed with the foreclosure of all delinquent assessments or delinquent installments thereof.

(i) It will make no use of the proceeds of the Bonds or other funds of the County at any time during the term of the Bonds which, if such use had been reasonably expected at the date that the Bonds are issued, would have caused the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and the applicable regulations thereunder, all as of the date of the Bonds.

Section 9. The County covenants and agrees that for as long as any of the Bonds is outstanding it will not create any special fund or funds for the payment of the principal of and interest on any other water (or water and sewer) revenue bonds which would rank on a parity with or have priority over the payments to be made out of the Gross Revenue of the Water Utility and assessments levied in Utility Local Improvement District No. 1 into the Bond Fund and will not issue and sell any Parity Bonds, except that the County reserves the right for the purpose of acquiring, constructing and installing additions and improvements to and extensions and betterments of, acquiring necessary equipment for or making necessary replacements of equipment or capital improvements to the Water Utility, or for the purpose of exchanging or purchasing and retiring prior to or at their maturity any outstanding water (or water and sewer) revenue bonds of the County, to issue additional and/or refunding water (or water and sewer) revenue bonds therefor (herein defined as "Parity Bonds"), and to make payments into the Bond Fund therefor if there is compliance with the following conditions:

(a) All payments then required by this resolution and all payments then required by any resolution hereafter adopted pertaining to any Parity Bonds hereafter issued in accordance with the provisions of this section shall have been made into the Bond Fund.

(b) The resolution providing for the issuance of such Parity Bonds shall provide that all assessments and interest thereon which may be levied in any utility local improvement districts hereafter created for the purpose of paying, in whole or in part, the principal of and interest on such Parity Bonds, shall be paid directly into the Bond Fund.

(c) The resolution providing for the issuance of such Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund and shall further provide for the immediate payment into the Reserve Account in the Bond Fund out of assessments levied and first collected for the payment of the principal of and interest on such Parity Bonds and, if necessary, out of any other money of the County available for such purpose of an amount equal to any reserve requirement for such Parity Bonds. In the event no assessments are levied for the payment of the principal of and interest on such Parity Bonds or those that are so levied are insufficient to satisfy any reserve requirement, the County shall pay from the Gross Revenue of the Water Utility or from other legally available sources such amount into the Reserve Account within five years from the date of issuance of such bonds, except in the case of refunding bonds, the resolution authorizing the issuance of such refunding Parity Bonds shall provide that the money in the Reserve Account for the bonds to be refunded shall be retained in the Bond Fund as a reserve for the refunding bonds, or the money in any other reserve account or fund for the bonds being refunded shall be transferred to the Reserve Account in the Bond Fund, but if such amount does not equal the reserve requirement, such reserve requirement for the refunding bonds shall be accumulated in the same manner and within the same time as set forth herein for Parity bonds.

(d) There shall be on file with the County a certificate of a professional engineer experienced in municipal utilities and licensed to practice in the State of Washington to the effect that the annual Net Revenue of the Water Utility available for debt service on all then outstanding Bonds, Parity Bonds and the Parity Bonds to be issued together with utility local improvement district special assessments pledged to be paid into the Bond Fund shall be at least equal to 1.20 times the

Maximum Annual Debt Service at any time. The coverage requirement of 1.20 times the Maximum Annual Debt Service may be waived or modified by written consent of the bondholders representing 75% of the then outstanding principal indebtedness payable from the Bond Fund. Such certificate shall further show that, based upon the amortization schedule of principal and interest for all Bonds, Parity Bonds then outstanding and the proposed issue of Parity Bonds, there shall be sufficient revenues and assessments available for debt service on all such bonds as will permit the Term Bonds of all issues to be retired by their maturity dates. However, if Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding water (or water and sewer) revenue bonds payable from the Bond Fund, such certification of coverage shall not be required if the amount required for the payment of the principal and interest in each year for the refunding bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of those refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

(1) The engineer's certificate required by this paragraph (d) in setting forth the assessments, the estimate of assessments of installments thereof, levied in any utility local improvement district created to pay part or all of the cost of additions, betterments, improvements or extensions to be acquired, constructed or installed out of the proceeds of sale of any Parity Bonds and required to be paid into the Bond Fund shall be computed in accordance with the following formula:

(i) The amount of the assessments paid within the 30-day period permitted by law for the payment of assessments without penalty or interest shall be deducted from each total assessment roll, or if that 30-day period has not elapsed, 15% of each total assessment roll shall be deducted therefrom as the estimated amount of the assessments that will be paid within such 30-day period.

(ii) 10% of the balance of each such assessment roll or of 85% of each such roll shall then be deducted for estimated nonpayment of assessments.

(iii) The balance remaining after the deductions provided in subparagraphs (1)(i) and (1)(ii) immediately above shall then be divided by the number of years in

which installments of such assessments may be paid without becoming delinquent, and there shall be added to each year the interest that will be collected on such installments.

(2) In computing the installments of assessments previously levied in support of already outstanding Bonds and Parity Bonds that will be collected each year, the following formula shall be used:

(i) All delinquent assessments or installments shall be deducted from each assessment roll.

(ii) 10% of the remaining total of each assessment roll shall then be deducted for estimated nonpayment of installments.

(iii) The balance remaining after the deductions provided in subparagraphs (2)(i) and (2)(ii) immediately above shall then be divided by the number of years in which installments of such assessments may be paid without being delinquent, and there shall be added to each year the interest that will be collected on such installments.

(3) The engineer's certificate, in estimating the Net Revenue of the Water Utility available for debt service shall use the historical Net Revenue of the Water Utility for any twelve consecutive months out of sixteen months immediately preceding the month of delivery of the Parity Bonds. Such net revenue may be adjusted to reflect any changes in rates; may include income derived from customers of the Water Utility that have become customers during the twelve consecutive month period or thereafter adjusted to reflect one year's net revenue from such customers; may include revenues from any customers to be connected to the Water Utility who have paid the required connection charges; may include the net revenue to be derived from any person, firm, corporation or municipal corporation under any executed contract for water (and/or sewer) service which revenue was not included in the historical Net Revenue; may include the engineer's estimate of the net revenue to be derived by the County as the result of any additions, improvements and extensions of the Water Utility to be paid for out of the proceeds of the sale of the additional Parity Bonds or other additions, improvements and extensions of the Utility then under construction and not fully connected to the facilities of the Water Utility.

Unless the Bonds are held by the United States of America, or its assigns, no engineer's certificate provided for in this paragraph (d) shall be required in connection with the issuance of Parity Bonds which shall be secured by additional utility local improvement district assessments equal to no less than 95% of the principal amount of the proposed Parity Bonds issued to finance additions, betterments and extensions of the Water Utility within such utility local improvement district.

Section 10. In the event the County shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, money and/or direct obligations of the United States of America or other legal investments (with the right of the County to make substitutions for such investments) sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account") and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons (hereinafter collectively called the "defeased Bonds") in the covenants of this resolution, in the Gross Revenue of the Water Utility and funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void, except such owners and holders shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall

have the residual right to receive payment of the principal of and interest on the defeased Bonds from the Gross Revenue of the Water Utility without any priority or lien or charge against those revenues or covenants with respect thereto except to be paid therefrom. After the establishing and full funding of such trust account, the County may then 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 holders of any other bonds then outstanding.

In the event that the refunding plan provides that the refunding bonds to be secured by cash and/or direct obligations of the United States of America or other legal investments pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America or other legal investments are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from the Gross Revenue of the Water Utility shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 11. There has heretofore been created in the office of the County Treasurer the Beard's Cove Water Fund which is to be used solely for the purpose of paying Operation and Maintenance Expenses of the Beard's Cove portion of the Water Utility and for other purposes specified in this section and into which shall be deposited the Gross Revenue of the Water Utility of the County derived from the Beard's Cove area of the County. It is the intention of the Board of County Commissioners that it will combine the

Beard's Cove Water Fund with all water funds of the County, though such combined water utility fund may be divided into several accounts. Thereafter, all Gross Revenue of the Water Utility (except earnings on investments in other funds), all connection charges, permit fees and all other charges made by the County relating to the use of or connection to any facilities of the Water Utility shall be deposited into that combined water utility fund. All money presently on deposit in other County funds intended for the purposes set forth in this section shall then be forthwith transferred to that combined water utility fund.

Money in the Beard's Cove Water Fund, or its successor fund or account, after the payment of Operation and Maintenance Expenses shall be transferred when required into the Bond Fund in the amounts provided in Sections 4 and 8(d)(2), and then may be used for the purposes set forth in Section 8(d)(3) and (4). Money deposited in the Beard's Cove Water Fund, or its successor fund or account, not needed for immediate use may be invested in the same investments permitted for money in the Bond Fund, but in no obligation maturing later than one year after the making of such investment or until such money shall be needed to carry out the purposes of the Beard's Cove Water Fund, or its successor fund or account, whichever is the lesser. Income from such investments shall be deposited into the Beard's Cove Water Fund, or its successor fund or account.

Section 12. The covenants of the County contained in this resolution constitute a contract between the County and the holders of the Bonds. In the event of default of any covenant by the County, any such bondholder may enforce performance and obtain other appropriate relief in the proper form as permitted by law.

Section 13. There has heretofore been created in the office of the County Treasurer a special fund to be called the "Water Construction Fund - ULID No. 1," hereinbefore referred to as the Construction Fund, into which fund shall be deposited the principal proceeds of the Bonds and any grants or other money hereafter received for the purpose of paying the cost of carrying out the improvement ordered by Resolution No. 818, and out of which shall be paid all remaining costs of carrying out such improvement and the costs of issuing the Bonds and such money as is necessary to reimburse other County funds for the payment of such costs on a temporary basis. Any money remaining in the Construction Fund after the payment of all such costs and reimbursements may be transferred to and deposited in the Bond Fund.

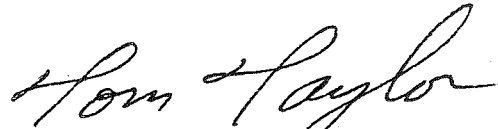
Section 14. The United States of America, Farmers Home Administration, has made an offer to purchase the Single Bond at a price of par, the County to furnish the printed Single Bond and the unqualified approving legal opinion of Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, at the County's expense. The Board of County Commissioners being of the opinion that it is in the best interest of the County to accept such offer hereby accepts the same. The Single Bond shall, therefore, after its execution, be delivered to the United States of America, Farmers Home Administration, upon payment therefor as aforesaid.

Upon receipt thereof the principal proceeds of the Bonds shall be deposited in the Construction Fund and designated to be



used for paying the costs of carrying out the Water General Plan and the issuance and sale of the Bonds.

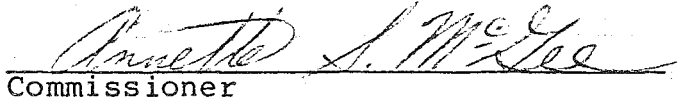
ADOPTED by the Board of County Commissioners of Mason County, Washington, at a regular open public meeting thereof this 10th day of December, 1979.



Chairman and Commissioner




Commissioner



Commissioner

ATTEST:

  
County Auditor, as ex officio  
Clerk of the Board

FORM APPROVED:

  
Prosecuting Attorney