

MASON COUNTY, WASHINGTON

RESOLUTION NO. 53-13

A RESOLUTION of the Board of Commissioners of Mason County, Washington, providing for the issuance and sale of limited tax general obligation bonds of the County in the principal amount of not to exceed \$2,400,000 to finance conservation improvements and other improvements at the County's jail; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the County's designated representative to approve the final terms of the bonds; approving the County's Green Community Initiative; and providing for other related matters.

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THE BOARD OF COMMISSIONERS OF MASON COUNTY, WASHINGTON, DO RESOLVE AS FOLLOWS:

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

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

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

*"Board"* means the Board of Commissioners of Mason County, the general legislative authority of the County.

*"Bond Counsel"* means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the County as bond counsel.

*"Bond Fund"* means the Limited Tax General Obligation Bond Fund, 2013, created for the payment of the principal of and interest on the Bonds.

*"Bond Register"* means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Bonds.

*"Bond Registrar"* means the Fiscal Agent, or any successor bond registrar selected by the County.

*"Bonds"* means the bonds issued pursuant to and for the purposes provided in this resolution.

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

*"County"* means Mason County, Washington.

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

“*Designated Representative*” means the officer of the County appointed in Section 4 of this resolution to serve as the County’s designated representative in accordance with RCW 39.46.040(2).

“*Energy Conservation Project*” means carrying out certain energy conservation improvements at the County’s jail consistent with the qualified conservation purposes described under Section 54D(f)(1) of the Code.

“*Final Terms*” means the terms and conditions for the sale of a Series of the Bonds including, but not limited to, the amount, date or dates, denominations, interest rate or rates (or mechanism for determining the interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

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

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

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

“*Letter of Representations*” means the Blanket Issuer Letter of Representations between the County and the Securities Depository, dated May 1, 1998, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

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

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

“*Projects*” means together, the Energy Conservation Project and carrying out other improvements to the County’s jail.

“*Project Funds*” means the special fund or funds created for the purpose of carrying out the Projects.

“*QECB Bond*” means any Bond designated as a Taxable Qualified Energy Conservation Bond pursuant to Section 55D and Section 6431(f) of the Code to be issued for the purposes of paying the costs of the Energy Conservation Project, all in accordance with this resolution.

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

“*Record Date*” means the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its

maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 9.

"*Registered Owner*" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the County utilizes the book-entry system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

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

"*SEC*" means the United States Securities and Exchange Commission.

"*Securities Depository*" means DTC, any successor thereto, any substitute securities depository selected by the County, or the nominee of any of the foregoing. Any Securities Depository must be qualified under applicable laws and regulations to provide the services proposed to be provided by it.

"*Series of the Bonds*" or "*Series*" means a series of the Bonds issued pursuant to this resolution.

"*State*" means the State of Washington.

"*Tax-Exempt Bonds*" means any Series issued on a tax-exempt basis.

"*Term Bonds*" means those Bonds designated as Term Bonds and subject to mandatory redemption in the years and amounts as determined by the Designated Representative.

"*Treasurer*" means the Treasurer of the County.

"*2011 Bonds*" means the County's outstanding Limited Tax General Obligation Bonds, 2011, issued pursuant to Resolutions Nos. 45-11 and 51-11.

"*Undertaking*" means the undertaking to provide continuing disclosure entered into pursuant to Section 15 of this resolution.

"*Underwriter*" means Piper Jaffray & Co., selected by the Designated Representative to serve as the underwriter for the sale of the Bonds.

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

(a) *Authority and Description of Project.* The County is in need of carrying out improvements to the County's jail. The Board therefore finds that it is in the best interests of the County to carry out the Projects.

(b) *Allocation.* The County received an allocation of qualified energy conservation bonds from the State to be used for one or more qualified conservation purposes pursuant to Section 54D(f) of the Code.

(c) *Plan of Financing.* Pursuant to applicable law, including without limitation chapters 36.67, 39.36, 39.44, 39.46 and 39.53 RCW, the County is authorized to issue general obligation bonds for the purpose of paying the costs of the Projects. The total expected cost of the Projects is approximately \$2,260,000, which is expected to be made up of proceeds of the Bonds.

(d) *Debt Capacity.* The maximum amount of indebtedness authorized by this resolution is \$2,400,000. Based on the following facts, this amount is to be issued within the amount permitted to be issued by the County without a vote:

(i) The assessed valuation of the taxable property within the County as ascertained by the last preceding assessment for County purposes for collection in the calendar year 2013 is \$6,992,755,647.

(ii) As of October 1, 2013, the County had limited tax general obligation indebtedness, consisting of bonds, notes and loans outstanding in the principal amount of \$27,948,412, which is incurred within the limit of up to 1½% of the value of the taxable property within the County permitted without a vote.

(iii) As of October 1, 2013, the County had no unlimited tax general obligation indebtedness.

(e) *The Bonds.* For the purpose of providing the funds necessary to pay the costs of the Project and the costs of issuance and sale of the Bonds, the Board finds that it is in the best interests of the County and its taxpayers to issue and sell the Bonds to the Underwriter, pursuant to the terms as approved by the County's Designated Representative consistent with this resolution.

Section 3. Authorization of Bonds. The County shall borrow money on the credit of the County and issue negotiable limited tax general obligation bonds in one or more series evidencing indebtedness in the amount of not to exceed \$2,400,000 to provide funds necessary to pay the costs of the Projects and the costs of issuance and sale of the Bonds. The proceeds of the Bonds, after payment of costs of issuance, shall be deposited as set forth in Section 8 and shall be used to carry out the Projects, or a portion of the Projects, in such order of time as the County determines is advisable and practicable.

Section 4. Description of Bonds; Appointment of the Designated Representative. The Treasurer is appointed as the County's Designated Representative and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the County, and to approve the Final Terms of the Bonds, with such additional terms and covenants as he or she deems advisable, within the following parameters:

(a) *Principal Amount.* The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$2,400,000. The Bonds may be issued as Tax-Exempt

Bonds, or any Bonds allocated to the Energy Conservation Project may be issued as QECB Bonds not exceeding the aggregate principal amount of \$1,740,000.

(b) *Date or Dates.* The Bonds shall be dated as of their date of delivery to the Underwriter, which date may not be later than August 1, 2014.

(c) *Denominations, Series Designation, etc.* The Bonds shall be issued in Authorized Denominations, shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.

(d) *Interest Rate(s).* The Bonds shall bear interest at fixed rates per annum (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 for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds, provided that no rate of interest for any Bond issued as tax-exempt may exceed 5.00%, and the “all-in” true interest cost to the County for the Bonds issued as tax-exempt may not exceed 3.00% and no rate of interest for any Bond issued as taxable may exceed 6.50%, and the “all-in” true interest cost to the County for the Bonds issued as taxable may not exceed 3.00% (net of the federal subsidy).

(e) *Payment Dates.* Interest must be payable at fixed rates semiannually on such dates as are acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a payment date acceptable to the Designated Representative and must be payable at maturity or in mandatory redemption installments on such dates as are acceptable to the Designated Representative.

(f) *Final Maturity.* The Bonds shall mature no later than December 1, 2033.

(g) *Redemption Rights.* In his or her discretion, the Designated Representative may approve provisions for the optional and mandatory redemption of Bonds, as follows:

(i) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the County prior to its maturity date or (B) not subject to redemption prior to its maturity date.

(ii) Extraordinary Optional Redemption. Any QECB Bond may be designated as being subject to redemption at the option of the County prior to its maturity date upon the occurrence of certain events.

(iii) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity.

(h) *Price.* The purchase price for the Bonds may not be less than 98% or more than 115% of the stated principal amount of the Bonds.

- (i) Other Terms and Conditions.
  - (i) The Bonds may not be issued if it would cause the indebtedness of the County to exceed the County's legal debt capacity on the Issue Date.
  - (ii) The Bonds may be sold in accordance with Section 14 of this resolution.
  - (iii) The Designated Representative may determine whether it is in the County's best interest to provide for bond insurance or other credit enhancement, and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the County, consistent with this resolution.

Section 5. 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; Duties.* The Fiscal Agent is appointed as Bond Registrar for the Bonds. 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 County at all times. The Bond Registrar is authorized, on behalf of the County, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the County's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner of a Bond 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 Beneficial Owners.

(c) *Bond Register; Transfer and Exchange.* The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. 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 Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same series, interest rate and maturity. 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 any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Form.* The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC, acting as Securities Depository. Bonds so registered shall be held fully immobilized in book-entry form by DTC in accordance with the



provisions of the Letter of Representations. Registered ownership of any Bond (or portion of a Bond) held in book-entry form may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the County or such substitute Securities Depository's successor; or (iii) to any person if the Bond is no longer held in book-entry form. Upon the resignation of the Securities Depository from its functions as depository, or upon a termination of the services of the Securities Depository by the County, the County may appoint a substitute Securities Depository. If (i) a Securities Depository resigns from its functions as depository, and no substitute Securities Depository can be obtained, or (ii) the County determines that a Bond is to be in certificated form, such Bond no longer shall be held in book-entry form and the ownership of such Bond may be transferred to any person as provided in this resolution.

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

Section 6. Form and Execution of Bonds.

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

(b) *Authentication.* Only Bonds bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "Certificate of Authentication. This Bond is one of the fully registered Mason County, Washington, Limited Tax General Obligation Bonds, 2013[A/B] [(Taxable Qualified Energy Conservation Bonds)]." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 7. Payment of Bonds. Principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For as long as a Bond is registered in the name of the Securities Depository, payment of principal of and interest on that Bond shall be made in

the manner set forth in the Letter of Representations. If a Bond ceases to be in book-entry form, interest on that Bond shall be paid by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register as of the Record Date. However, the County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least 10 days before an interest payment date and at the sole expense of the requesting Registered Owner. Principal of a Bond shall be payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Funds and Accounts; Deposit of Proceeds.

(a) *Bond Debt Service Fund.* The Bond Fund is created as a special fund for the sole purpose of paying principal of and interest on the Bonds. Bond proceeds in excess of the amounts needed to pay the costs of the Projects and the costs of issuance of the Bonds, shall be deposited into the Bond Fund. All amounts allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund as necessary for the timely payment of amounts due with respect to the Bonds. The principal of and interest on the Bonds shall be paid out of the Bond Fund, and until needed for this purpose, the County 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 used for the purposes of that fund.

(b) *Project Funds.* The Treasurer is authorized to create the Project Funds for the purpose of paying the costs of the Projects. A portion of the proceeds received from the sale and delivery of the Bonds shall be deposited into the applicable Project Fund and used to pay the costs of the Projects and the costs of issuance of the Bonds. Until needed to pay such costs, the County may invest those proceeds temporarily in any legal investment, and the investment earnings shall be retained in the applicable Project Fund and be used for the purposes of that fund, except that earnings subject to a federal tax or rebate requirement (if applicable) may be withdrawn from the Project Fund and used for those tax or rebate purposes.

Section 9. Redemption Provisions and Open Market Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to optional redemption acceptable to the Designated Representative, within the parameters set forth in Section 4. Any Bond that is subject to optional redemption may be selected by the County, in its sole discretion, for redemption in whole or in part at any time at which redemption is permitted.

(b) *Extraordinary Optional Redemption of QECC Bonds.* The QECC Bonds shall be subject to extraordinary optional redemption acceptable to the Designated Representative upon the occurrence of certain events, within the parameters set forth in Section 4. Any QECC Bond that is subject to extraordinary optional redemption may be selected by the County, in its sole discretion, for redemption in whole or in part at any time at which redemption is permitted.

(c) *Mandatory Redemption.* Bonds designated as Term Bonds by the Designated Representative, within the parameters set forth in Section 4, if not previously redeemed under any optional redemption provisions or purchased and surrendered for cancellation under the

provisions set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest. If Term Bonds are redeemed under the optional redemption provisions, defeased or purchased by the County and cancelled, the principal amount of the Term Bonds so redeemed, defeased or purchased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds in the manner set forth below regarding the selection of Bonds for redemption. While a Bond is registered in the name of the Securities Depository, notice of allocation shall be given as required in accordance with the Letter of Representations. If a Bond ceases to be held in book-entry form, the Bond Registrar shall notify the Registered Owner of its allocation prior to the next payment date for that maturity of Term Bonds.

(d) *Extraordinary Mandatory Redemption of QECB Bonds.* The QECB Bonds shall be subject to extraordinary mandatory redemption, in whole or in part, three years after the Issue Date, or, in the event of an extension negotiated with the IRS, on any date not later than 90 days after the end of such extension period, in Authorized Denominations, at a redemption price equal to the principal amount of the QECB Bonds called for redemption plus accrued interest, in an amount equal to the unexpended proceeds of the sale of the QECB Bonds held by the County, but only to the extent that the County fails to expend all of the proceeds of the QECB Bonds within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS.

(e) *Selection of Bonds for Redemption; Partial Redemption.* All or a portion of the principal amount of any Bond that is subject to optional or mandatory redemption may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

The principal portion of any Bond registered in the name of the Securities Depository which is to be partially redeemed shall be selected in accordance with the Letter of Representations. If a Bond ceases to be held in book-entry form, the portion to be partially redeemed shall be selected randomly in such manner as the Bond Registrar shall determine.

(f) *Notice of Redemption.* While a Bond is registered in the name of the Securities Depository, notice of redemption shall be given as required in accordance with the Letter of Representations. If a Bond ceases to be held in book-entry form, unless waived by the Registered Owner of the Bond to be redeemed, the County shall cause notice of an 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 on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner of any Bond. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Designated Representative shall determine, but these additional mailings shall not be a condition precedent to the redemption of a Bond.

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

(h) *Effect of Redemption.* Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund (or in an escrow account established to carry out a refunding or defeasance of the redeemed Bonds, if any).

(i) *Open Market Purchase.* The County reserves the right to purchase any or all of the Bonds in the open market at any time at any price acceptable to the County plus accrued interest to the date of purchase.

Section 10. Failure To Pay Bonds. If any Bond is not paid when properly presented at its maturity date or date fixed for redemption, the County shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 11. Pledge of Taxes. The Bonds constitute a general indebtedness of the County and are payable from tax revenues of the County and such other money as is lawfully available and pledged by the County for repaying the Bonds. For as long as any of the Bonds are outstanding, the County irrevocably pledges that it shall, in the manner provided by law within the constitutional and statutory limitations provided by law without the assent of the voters, include in its annual levy amounts sufficient, together with other money that is lawfully available, to pay principal of and interest on the Bonds as the same becomes due. The full faith, credit and resources of the County are pledged irrevocably for the prompt payment of the principal of and interest on the Bonds and such pledge shall be enforceable in mandamus against the County.

Section 12. Tax Covenants.

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

(b) *Qualified Energy Conservation Bond.* The County covenants that it will comply with the provisions of the Code that if complied with would result in the interest on the QECB Bonds being excluded from gross income for federal tax purposes but for the County's irrevocable election to have Section 55D and Section 6431(f) of the Code apply to the QECB Bonds. Without limiting the generality of the foregoing, the County hereby covenants that 100% of the proceeds from the sale of the QECB Bonds (plus investment proceeds minus the cost of issuance to the extent such costs do not exceed 2% of QECB Bond proceeds) will be used for qualified conservation purposes described under Section 54D(f)(1) of the Code. This covenant shall survive payment in full or defeasance of the QECB Bonds.

The County further covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code, is applicable to the QECB Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the QECB Bonds, including the calculation and payment of any penalties that the County has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code.

(c) *Federal Credit Payments.* The County authorizes and directs the Designated Representative (or his or her designee) to take such actions and enter into such agreements as are necessary or appropriate for the County to receive or cause to be received from the United States Treasury the applicable federal credit payments in respect of the QECB Bonds, including but not limited to the timely filing with the Internal Revenue Service of Form 8038-CP – "Return for Credit Payments to Issuers of Qualified Bonds" in the manner prescribed by Internal Revenue Service Notice 2009-26 and the Internal Revenue Service of Form 8038-TC – "Information Return for Tax Credit Bonds and Specified Tax Credit Bonds" in the manner prescribed by Internal Revenue Service Notice 2010-35.

(d) *Post-Issuance Compliance.* The Treasurer is authorized and directed to review and update the County's written procedures to facilitate compliance by the County with the covenants in this Section 12 and the applicable requirements of the Code that must be satisfied after the Issue Date to maintain the tax-advantage status of the Bonds.

(e) *Bank Qualification.* The County hereby designates the Tax-Exempt Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Code. The County does not reasonably expect to issue more than \$10 million in tax-exempt bonds in 2013.

Section 13. Refunding or Defeasance of the Bonds. The County may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on the affected Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the County sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this resolution and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Owners of defeased Bonds shall

have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the County may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

While a Bond is registered in the name of the Securities Depository, notice of any defeasance shall be given in the manner prescribed in the Letter of Representations for notices of redemption of Bonds. If a Bond ceases to be held in book-entry form, then unless specified by the County in a refunding or defeasance plan, selection of Bonds to be defeased, notice of defeasance and replacement of Bond certificates shall be done in accordance with the provisions of this resolution for the redemption of Bonds prior to their maturity.

Section 14. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell the Bonds by negotiated sale. In determining the Final Terms of the Bonds, the Designated Representative shall take into account those factors that, in her judgment, in consultation with appropriate County officials and staff, Bond Counsel and other advisors, may be expected to result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current interest rates for obligations comparable to the Bonds.

(b) *Preparation, Execution and Delivery of the Bonds.* The Bonds will be prepared at County expense and will be delivered to the Underwriter, with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 15. Official Statement; Continuing Disclosure.

(a) *Preliminary Official Statement.* The Designated Representative shall review the form of the preliminary official statement prepared in connection with the sale of the Bonds to the public. For the sole purpose of the Underwriter's compliance with paragraph (b)(1) of Rule 15c2-12, the Designated Representative is authorized to "deem final" that preliminary official statement as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The County approves the distribution to potential purchasers of the Bonds of a preliminary official statement that has been "deemed final" in accordance with this paragraph.

(b) *Approval of Final Official Statement.* The County approves the preparation of a final official statement for the Bonds to be sold to the public in the form of the preliminary official statement, with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final official statement to the Underwriter. The County authorizes and approves the distribution by the Underwriter of that final official statement to purchasers and potential purchasers of the Bonds.

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

Section 16. Approval of Green Community Initiative. The County hereby adopts the County's Green Community Initiative, which is attached to this resolution, adopting the Energy Conservation Projects to provide energy conservation, energy efficiency and other environmental conservation initiatives relating to energy consumption.

Section 17. Supplemental and Amendatory Resolutions. The County may supplement or amend this resolution for any one or more of the following purposes without requiring the consent of any Owners of the Bonds:

(a) To add covenants and agreements that do not adversely affect the interests of the Beneficial Owners of the Bonds, or to surrender any right or power reserved to or conferred upon the County.

(b) To cure any ambiguities, or to cure, correct or supplement any defective provision contained in this resolution in a manner that does not materially adversely affect the interest of the Beneficial Owners of the Bonds.

Section 18. General Authorization and Ratification. The Designated Representative and other appropriate officers of the County are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this resolution, including the Green Community Initiative, and to do everything necessary for the prompt delivery of the Bonds to the Underwriter and for the proper application, use and investment of the bond proceeds. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

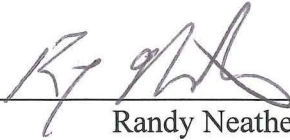
Section 19. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 20. Effective Date of Resolution. This resolution shall be effective immediately after its adoption in the manner provided by law.

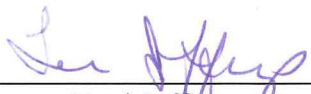
*[Remainder of page intentionally left blank.]*

ADOPTED by the Board of County Commissioners of Mason County, Washington at a regular meeting held on October 22, 2013.

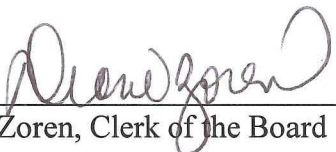
MASON COUNTY, WASHINGTON

By   
Randy Neatherlin, Chair

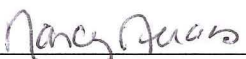
By   
Tim Sheldon, Commissioner

By   
Terri Jeffreys, Commissioner

ATTEST:

  
Diane Zoren, Clerk of the Board

APPROVED AS TO FORM:

  
Bond Counsel to the County



## UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

### Mason County, Washington Limited Tax General Obligation Bonds, 2013A and Limited Tax General Obligation Bonds, 2013B (Taxable Energy Conservation Bonds)

To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the above-referenced Bonds (the “Bonds”), the County 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 County 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 County, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County 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.

(iii) Timely notice of a failure by the County 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 County undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting

principles applicable to State local governmental units such as the County, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are otherwise prepared and available they will be provided; (2) a statement of authorized, issued and outstanding balance of general obligation debt; (3) the assessed value of property within the County subject to ad valorem taxation; and (4) ad valorem tax levy rates and amounts and percentage of taxes collected;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the County (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the County's fiscal year ending December 31, 2013; and

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

(c) Amendment of Undertaking. 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 Rule 15c2-12. The County 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 evidenced by this section shall inure to the benefit of the County and the Beneficial Owner of a Bond, and shall not inure to the benefit of or create any rights in any other person.

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

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

(g) Designation of Official Responsible to Administer Undertaking. The Designated Representative or her designee is authorized to take such further actions as may be necessary,

appropriate or convenient to carry out this Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

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

(ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the County is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person in accordance with Rule 15c2-12;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the County in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

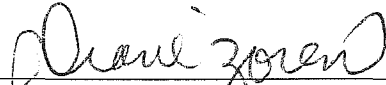
CERTIFICATE

I, the undersigned, Clerk of the Board of Commissioners of Mason County, Washington (herein called the "County") and keeper of the records of the Board of Commissioners of the County (herein called the "Board"), DO HEREBY CERTIFY:

1. That the attached Resolution is a true and correct copy of Resolution No. 5313 of the County (herein called the "Resolution"), as finally passed at a regular meeting of the Board of the County held on the 22<sup>nd</sup> day of October, 2013, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the passage of said Resolution; that all other requirements and proceedings incident to the proper adoption or passage of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the County this 22 day of October, 2013.

  
\_\_\_\_\_  
Clerk of the Board

