

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 2008-003

- A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, authorizing the issuance and sale of a Revenue Bond, 2008 (Local Improvement District No. 15) in the principal amount of \$1,053,076; providing the form and terms of the bond; and accepting the offer of First Federal Savings and Loan Association of Port Angeles to purchase the bond.

WHEREAS, the Commission of Public Utility District No. 1 of Jefferson County (the "District") created Local Utility District No. 15 ("LUD No. 15") by Resolution No. 2005-008 and provided for the issuance of bonds to pay the cost of improvements in the District and expenses incidental thereto; and

WHEREAS, the District has obtained a Public Works Trust Fund Loan from the Public Works Board of the State of Washington in the amount of \$948,924 to finance a portion of the costs of improvements in LUD No. 15; and

WHEREAS, by Resolution No. 08-001, passed on February 29, 2008, the assessment roll for LUD No. 15 was confirmed in the amount of \$2,750,000, but final costs of the improvements and related costs were only \$2,650,000, which is the amount the District will assess; and

WHEREAS, \$648,000 was paid during the 30-day prepayment period; and

WHEREAS to finance the unpaid balance of the costs of the improvements, the District wishes to issue its Revenue Bond, 2008 (Local Utility District No. 15) (the "Bond") in the principal amount of \$1,053,076; and

WHEREAS, the District has received a written offer to purchase the Bond from First Federal Savings and Loan Association of Port Angeles (the "Bank"), and has determined that it is

in the best interest of the District and the owners of property within LUD No. 15 to sell the Bond to the Bank on the terms set forth in such offer and in this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1, JEFFERSON COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

“Assessments” means the assessments levied in LUD No. 15, which assessments are pledged to be paid into the Junior Lien Revenue Bond Fund, including installments thereof and any interest and penalties due or which may become due thereon.

“Bank” means First Federal Savings and Loan Association of Port Angeles, Washington, or its corporate successor.

“Bank Offer” means the offer of the Bank to purchase the Bond.

“Bond” means the Public Utility District No. 1 of Jefferson County, Washington Revenue Bond, 2008 (Local Utility District No. 15), issued pursuant to this resolution.

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

“Code” means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

“Commission” means the duly constituted Commission as the general legislative authority of the District.

“Designated Representative” means the Manager of the District.

“District” means Public Utility District No. 1 of Jefferson County, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

“Junior Lien Bond Fund” means the Public Utility District No. 1 of Jefferson County Junior Lien Bond Fund, 2008 (Local Utility District No. 15) authorized to be created by Section 5 of this resolution.

“Note” means the not to exceed \$1,900,000 Beckett Point Local Utility District Bond Anticipation Note, 2007 of the District issued pursuant to the terms of Resolution No. 2007-005.

“Registrar” means the Treasurer, for the purposes of registering and authenticating the Bond, maintaining the Bond Register, effecting the transfer of ownership of the Bond and paying the principal of and interest on the Bond.

“Revenue Fund” means the District’s Water and Sewer Revenue Fund.

“Revenues” means all income (including investment income), receipts and revenues derived by the District through the ownership and operation of the System but shall not include: (a) any income derived by the District through the ownership and operation of any facilities that may hereafter be purchased, constructed or otherwise acquired by the District as a separate utility system; or (b) investment income restricted to a particular purpose inconsistent with its use for the payment of debt service, including investment income derived pursuant to a plan of debt retirement or refunding.

“System” means the combined water supply and distribution system and the sanitary sewage disposal system of the District.

“Treasurer” means the Treasurer of Jefferson County, Washington, as *ex officio* treasurer of the District, or any other public officer as may hereafter be designated pursuant to law to have the custody of District funds.

Section 2. Authorization and Description of the Bond. For the purpose of financing part of the costs of the improvements constructed in LUD No. 15, repaying interim funding for

LUD No. 15 and paying costs of issuance of the Bond, the District shall issue and sell its Revenue Bond, 2008 (Local Utility District No. 15) (the "Bond") in the principal amount of \$1,053,076.

The Bond shall be dated as of the date of delivery to the Bank, shall be in fully registered form in the denomination of \$1,053,076, shall be numbered in such manner and with any additional designation as the Bond Registrar deems necessary for the purposes of identification and control, shall bear interest on unpaid principal at the rate of 4.05% per annum, payable beginning on May 1, 2009, and annually thereafter on May 1 of each year, and shall mature on May 1, 2025. Interest on the Bond shall be calculated based on a year of 360 days and twelve 30-day months.

The Bond shall be an obligation only of the Junior Lien Bond Fund and shall not be a general obligation of the District.

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America. Principal of and interest on the Bond shall be paid by check or draft mailed to registered owner or assigns at the addresses appearing on the Bond Register as of the first day of the month of the interest payment date. Each payment of principal shall be noted on the grid attached to the Bond. The final principal installment of the Bond shall be payable upon presentation and surrender of the Bond by the registered owner at the office of the Treasurer.

Section 3.     Registration, Payment and Transfer. The Treasurer is hereby requested to act as authenticating trustee, paying agent and registrar for the Bond (the "Registrar"). Installments of the principal of and interest on the Bond shall be paid by check or draft of the Registrar mailed on the date such interest is due or by electronic funds transfer made on the date such interest is due to the Bank or nominee at the address appearing on the Bond Register. Upon

final payment of all installments and interest thereon, the Bond shall be submitted to the Registrar for cancellation and surrender.

The Bond shall not be transferable, except to a corporate successor of the Bank.

Section 4. Redemption. The Bond shall be redeemed at par in advance of its scheduled maturity, by application of Assessments and prepayments thereof, in whole or in part, on any interest payment date, whenever there shall be sufficient money in the Junior Lien Bond Fund over and above an amount sufficient for the payment of the interest next accruing on the Bond. The Bond Registrar shall maintain a system of recording the amount of principal paid on the Bond.

Notice of any such intended redemption shall be given by the Bond Registrar on behalf of the District by first class mail, postage prepaid, at least 10 days prior to the redemption date to the registered owner of the Bond at the address shown on the Bond Register. The requirements of this section shall be deemed complied with when notice is mailed regardless of whether it is actually received by the owner of the Bond.

Interest on the portion of the Bond so called for redemption shall cease to accrue on the date fixed for redemption. The owner shall note on the grid attached to the Bond the amount of principal redeemed.

Section 5. Creation of Junior Lien Bond Fund and Provision for Payments. A special account of the District to be known as the "Public Utility District No. 1 of Jefferson County Junior Lien Bond Fund, 2008 (Local Utility District No. 15)" (the "Junior Lien Bond Fund") is hereby authorized to be created and maintained by the Treasurer. The Junior Lien Bond Fund shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Bond. Money on deposit in the Junior Lien Bond Fund not immediately

needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations that are legal investments for District funds. Any interest or profit from the investment of such money shall be deposited in the Junior Lien Bond Fund. Any money remaining in the Junior Lien Bond Fund after payment in full of the principal of and interest on the Bond may be transferred to the general operating fund of the District, and the Junior Lien Bond Fund shall be closed.

The District hereby covenants that on or before an installment of interest or principal on the Bond is due, it will deposit in the Junior Lien Bond Fund all Assessments and amounts out of the Revenue Fund as shall be necessary, when added to other amounts paid into the Junior Lien Bond Fund, to pay the interest and principal due on the Bond as the same becomes due. The Bond shall have a lien on Revenues junior to the payment of operating expenses of the System and all outstanding and any future water and sewer system bonds and notes. The District further covenants that so long as the Bond is outstanding it will deposit in the Junior Lien Bond Fund all Assessments and such additional amounts out of the Revenue Fund as shall be necessary, when added to other amounts paid into the Junior Lien Bond Fund, to pay the principal of the Bond as the same becomes due and payable. The Bond shall not be deemed to constitute a general obligation or a pledge of the faith and credit of the District or a debt of any other system of the District other than the System. The District may issue additional debt with a pledge on Revenues senior to the Bond.

Section 6. Tax Covenant; Special Designation. The District covenants with the owner of the Bond that it will not use or invest the proceeds of the Bond or any other funds of the District for any purpose or in any manner or take any other action that would cause the Bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as

amended, and the applicable regulations promulgated thereunder (the "Code"), or would result in interest on the Bond becoming taxable income to the owner thereof under Section 103 of the Code, or any other federal tax legislation that may be enacted into law.

The District hereby designates the Bond as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The District does not expect to issue more than \$10,000,000 in qualified tax-exempt obligations during calendar year 2008.

Section 7.      Form of the Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1

\$1,053,076

STATE OF WASHINGTON  
PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY  
REVENUE BOND, 2008 (LOCAL UTILITY DISTRICT NO. 15)

INTEREST RATE: 4.05%

MATURITY DATE: May 1, 2025

REGISTERED OWNER:      First Federal Savings and Loan Association of Port Angeles

PRINCIPAL AMOUNT:      One Million Fifty-Three Thousand Seventy-Six and No/100  
Dollars

Public Utility District No. 1 of Jefferson County, Washington (the "District"), a municipal corporation organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above on the Maturity Date, the Principal Amount of \$1,053,076 and to pay interest thereon from \_\_\_\_\_, 2008, or the most recent date to which interest has been paid or duly provided for until payment of this Bond at the Interest Rate set forth above, payable on May 1, 2009, and annually thereafter on each May 1 until maturity. Interest on this Bond shall be calculated based on a year of 360 days and twelve 30-day months.

Both principal of and interest on this Bond are payable in lawful money of the United States of America. Interest shall be paid by mailing a check or draft to the Registered Owner or assigns at the address shown on the Bond Register as of the first day of the month of the interest payment date. The final principal installment shall be paid to the Registered Owner or assigns

upon presentation and surrender of this Bond at the office of the Treasurer of the District (the "Bond Registrar").

This Bond is in the aggregate principal amount of \$1,053,076 and is issued pursuant to a resolution of the District, adopted on April 16, 2008 (the "Bond Resolution") to finance part of the costs of improvements constructed within Local Utility District No. 15 of the District and to repay interim funding for such improvements. This Bond is payable solely from the special fund of the District known as the "Junior Lien Bond Fund (Local Utility District No. 15)" (the "Junior Lien Bond Fund") of the District. The District has irrevocably obligated and bound itself to pay into the Junior Lien Bond Fund all assessments levied within Local Utility District No. 15.

This Bond is not a general obligation of the District.

The Bond is subject to redemption at a price of par in advance of its scheduled maturity at the option of the District, in whole, or in part, on any interest payment date, from available money in the Junior Lien Bond Fund to pay the same over and above an amount sufficient for the payment of the interest next accruing on this Bond.

Notice of any such intended redemption shall be given at least 10 days prior to the redemption date by first class mail, postage prepaid, to the registered owner of this Bond to be redeemed at the address appearing on the Bond Register. The requirements of the Bond Resolution shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether it is actually received by the owner of this Bond. Interest on the portion of this Bond so called for redemption shall cease to accrue on the date fixed for redemption.

The District hereby covenants and agrees with the owner of this Bond that it will keep and perform all the covenants of this Bond and of the Bond Resolution to be by it kept and performed. Reference is hereby made to the Bond Resolution for the definitions of defined terms used herein.

Reference to the Bond Resolution and any and all modifications and amendments thereto is made for a description of the nature and extent of the security for this Bond, the funds pledged, and the terms and conditions upon which this Bond is issued.

The District has designated this Bond as a "qualified tax-exempt obligation" for purchase by financial institutions.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Registration Certificate hereon shall have been manually signed by the Bond Registrar.

It is hereby certified and declared that this Bond is issued pursuant to and in compliance with the Constitution and laws of the State of Washington and resolutions of the District, and that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, been done, and performed.




IN WITNESS WHEREOF, Public Utility District No. 1, Jefferson County, Washington, has caused this Bond to be executed by the facsimile signatures of the President and Secretary of the Commission, as of this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

PUBLIC UTILITY DISTRICT NO. 1,  
JEFFERSON COUNTY, WASHINGTON

By /s/  
President, Commission

ATTEST:

DANA ROBERTS   
Secretary, Commission

### REGISTRATION CERTIFICATE

This Bond is registered in the name of the Registered Owner on the books of the District, in the office of the Treasurer (the "Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this bond shall be made by the District with full acquittance by the Registrar's wire transfer, made payable to the last Registered Owner as shown hereon and on the registration books of the Registrar at his/her address noted hereon and on the registration books of the Registrar.

| Date of<br>Registration | Name and Address of<br>Registered Owner  | Signature of<br>Registrar |
|-------------------------|--|---------------------------|
| _____, 2008             | First Federal Savings & Loan<br>105 W. Eighth Street<br>Port Angeles, Washington | _____                     |

### PAYMENT GRID

| Year  | Principal Amount<br>Paid | Date<br>Paid | Principal Amount<br>Outstanding |
|-------|--------------------------|--------------|---------------------------------|
| _____ | \$ _____                 | _____        | \$ _____                        |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |
| _____ | _____                    | _____        | _____                           |

Section 8.     Application of Proceeds. All proceeds of the Bond shall be deposited into the Junior Lien Bond Fund and shall be used to repay any interfund loans outstanding against said fund, to pay any remaining costs of improvements constructed in LUD No. 15, to repay the Note and to pay all expenses incidental thereto and to the issuance of the Bond.

Bond proceeds may be invested as permitted by law.

Section 9.     Execution and Authentication of the Bond. The Bond shall be executed on behalf of the District with the manual or facsimile signature of the President of the Commission and attested by the manual or facsimile signature of the Secretary of the Commission. The Bond shall not be valid for any purpose unless or until authenticated by the Registrar.

In case either of the officers who shall have executed the Bond shall cease to be an officer or officers of the District before the Bond shall have been authenticated or delivered by the Registrar, or issued by the District, such Bond may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District. The Bond may also be signed and attested on behalf of the District by such persons as at the actual date of execution of the Bond shall be the proper officers of the District although at the original date of the Bond any such person shall not have been such officer of the District.

Section 10.    Defeasance. In the event that the District, in order to effect the payment, retirement or redemption of the Bond, sets aside in the Junior Lien Bond Fund or in another special account, held in trust by a trustee, cash or noncallable government obligations (as now or hereafter defined in RCW Ch. 39.53 or its successor statute, if any), or any combination of cash and/or noncallable government obligations, in amounts and maturities which, together with

known earned income therefrom, are sufficient to redeem or pay and retire the Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Junior Lien Bond Fund for the payment of the principal of and interest on the Bond. The owner of the Bond so provided for shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive payment of principal, premium, if any, and interest from such special account, and the Bond shall be deemed not to be outstanding under this resolution.

Section 11. Lost or Stolen Bond. In case the Bond shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond of like date and tenor to the owner upon the owner paying the expenses and charges of the District and upon filing with the Registrar evidence satisfactory to the Registrar that such Bond was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the District with indemnity satisfactory to the District.

Section 12. Payment of Assessments and Interest on Assessments. The District has heretofore levied Assessments payable into the Junior Lien Bond Fund in the total amount of \$2,750,000, but because of lower final costs, the District intends to assess the property in LUD No. 15 only \$2,650,000. \$648,000 was prepaid prior to the adoption of this resolution, and the remaining \$2,008,000 is payable in 15 equal annual installments from the end of the 30-day prepayment period together with interest and penalties thereon in the manner and at the times specified in Resolution No. 08-001. The balance of Assessments remaining unpaid at the end of the prepayment period shall bear interest at a per annum rate of 2.3%, which is equal to the interest rate on the Bond and the Washington Trust Fund loan obtained for the improvements constructed in LUD No. 15.

Section 13.    Sale of the Bond. The Bond shall be sold to First Federal Savings and Loan Association of Port Angeles, Washington, pursuant to the terms of this resolution and the Bank Offer. The Bank shall be paid a commitment fee of 10 basis points of the amount of the Bond. The District covenants to perform all obligations set forth in the Bank Offer.

Section 14.    Reporting Requirements. With respect to the Bond, the District is exempt from the official statement and ongoing disclosure requirements of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934.

The District hereby covenants and agrees for as long as the Bond remains outstanding, it will provide annually to the Bank copies of its annual financial report within 180 days of the year end and each annual budget of the District as it becomes available.

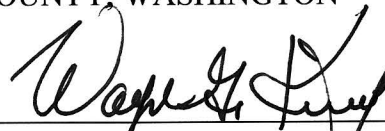
Section 15.    Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

Section 16.    General Authorization; Ratification of Prior Acts. The Designated Representative and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified.

Section 17.    Effective Date. This resolution shall be effective immediately upon its adoption.

ADOPTED by the Commission at a regular meeting thereof, held on April 16, 2008, and  
duly authenticated in open session by the signatures of the Commissioners present and voting in  
favor thereof.

PUBLIC UTILITY DISTRICT NO. 1, JEFFERSON  
COUNTY, WASHINGTON



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President and Commissioner



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Commissioner



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Commissioner

CERTIFICATE

I, the undersigned, Secretary of the Commission (the "Commission") of the Public Utility District No. 1, Jefferson County, Washington (the "District"), DO HEREBY CERTIFY:

1. That the attached Resolution No. ~~2008-003~~<sup>DP</sup> (the "Resolution") is a true and correct copy of a resolution of the District as finally adopted at a regular meeting of the Commission held on April 16, 2008, 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 Commission was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption 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 this 16<sup>th</sup> day of April, 2008.

  
Secretary of the Commission