

**PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON**

**RESOLUTION NO. 2009-005**

A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, authorizing the issuance and sale of Local Utility District No. 14 Bonds, 2009 in the principal amount of \$2,000,000; providing the form and terms of the bonds; and accepting the offer of Cashmere Valley Bank to purchase the bonds.

WHEREAS, the Commission of Public Utility District No. 1 of Jefferson County (the "District") created Local Utility District No. 14 ("LUD No. 14") by Resolution No. 2004-009 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 \$2,000,000 to finance a portion of the costs of improvements in LUD No. 14; and

WHEREAS, by Resolution No. 2008-013, passed on December 10, 2008, as amended, the assessment roll for LUD No. 14 was confirmed in the amount of \$5,266,200 and \$1,141,768.70 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 Local Utility District No. 14 Bonds, 2009 (the "Bonds") in the principal amount of \$2,000,000; and

WHEREAS, the District has received a written offer to purchase the Bonds from Cashmere Valley Bank (the "Bank"), and has determined that it is in the best interest of the District and the owners of property within LUD No. 14 to sell the Bonds 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 OF 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. 14, which assessments are pledged to be paid into the Bond Fund, including installments thereof and any interest and penalties due or which may become due thereon.

"Bank" means Cashmere Valley Bank of Cashmere, Washington, or its corporate successor.

“Bank Offer” means the offer of the Bank to purchase the Bonds, attached hereto as Exhibit A.

“Bond Fund” means the Public Utility District No. 1 of Jefferson County Local Utility District No. 14 Bond Fund authorized to be created by Section 5 of this resolution.

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

“Bonds” means the Public Utility District No. 1 of Jefferson County, Washington Local Utility District No. 14 Bonds, 2009, issued pursuant to this resolution.

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

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

“Guaranty Fund” means the Public Utility District No. 1 of Jefferson County Local Utility District No. 14 Guaranty Fund authorized to be created by Section 6 of this resolution.

“Note” means the not to exceed \$1,700,000 Marrowstone Island Local Utility District Bond Anticipation Note, 2008 of the District issued pursuant to the terms of Resolution No. 08-004.

“Registrar” means the fiscal agency of the State of Washington in New York, New York, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying the principal of and interest on the Bonds.

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

Section 2. Authorization and Description of the Bonds. For the purpose of financing part of the costs of the improvements constructed in LUD No. 14, repaying interim funding for LUD No. 14 and paying costs of issuance of the Bonds, the District shall issue and sell its Local Utility District No. 14 Bonds, 2009 (the “Bonds”) in the principal amount of \$2,000,000.

The Bonds shall be dated as of the date of delivery to the Bank, shall be in fully registered form, shall mature on March 1, 2028, and shall be numbered separately as set forth below in the manner and with any additional designation as the Registrar deems necessary for the purpose of identification, and shall bear interest from their date to the maturity or earlier redemption of the Bonds, payable annually on each March 1, beginning March 1, 2010 (the

“Interest Payment Date”), at the rates per annum shown on the following Estimated Redemption Schedule:

### ESTIMATED REDEMPTION SCHEDULE

Estimated March 1 Redemption Dates	Bond Number	Amounts	Interest Rates
2010	R-1	\$ 85,000	1.80%
2011	R-2	87,000	2.25
2012	R-3	89,000	2.65
2013	R-4	91,000	3.05
2014	R-5	95,000	3.40
2015	R-6	98,000	3.75
2016	R-7	102,000	4.15
2017	R-8	106,000	4.55
2018	R-9	111,000	4.95
2019	R-10	116,000	5.20
2020	R-11	122,000	5.50
2021	R-12	129,000	5.70
2022	R-13	136,000	6.00
2023	R-14	144,000	6.20
2024	R-15	153,000	6.40
2025	R-16	163,000	6.60
2026	R-17	173,000	6.75

Principal is payable at maturity or early prepayment.

The Bonds shall be obligations only of the Bond Fund, and the Guaranty Fund, and shall not be general obligations of the District.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Principal of and interest on the Bonds shall be paid by check or draft mailed to the registered owner or assigns at the address appearing on the Bond Register as of the fifteenth day of the month prior to the Interest Payment Date or by electronic funds transfer.

Section 3. Registration, Payment and Transfer. The District hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent, paying agent and transfer agent (collectively, the “Registrar”). The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the “Bond Register”), which shall be open to inspection by the District. The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar’s powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

Installments of the principal of and interest on the Bonds 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.

The Bonds may be assigned or transferred only in whole by the registered owner to a single investor that is a financial institution or a person who is reasonably believed to be a qualified institutional buyer or accredited investor within the meaning of the applicable federal securities laws. Any transfer shall be without cost to the owner or transferee, except for governmental charges imposed on any such transfer or exchange. The Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any interest payment or prepayment date. When the Bonds have been paid in full, both principal and interest, the Bonds shall be surrendered to the Registrar, who shall cancel the Bonds.

Section 4. Prepayment and Redemption Provisions. On each Interest Payment Date, the District shall apply all amounts remaining in the Bond Fund after payment of accrued interest to the prepayment at par of the outstanding principal of the Bonds and amounts necessary to repay the Public Works Trust Fund Loan, in whole or in part, in numerical order. Interest on the Bonds or the portion thereof so prepaid shall cease to accrue on the date of such prepayment. Bonds redeemed under this section shall be cancelled.

Section 5. Creation of 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 Local Utility District No. 14 Bond Fund" (the "Bond Fund") is hereby authorized to be created and maintained by the Treasurer. The 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 Bonds and the Public Works Trust Fund Loan. Money on deposit in the 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 Bond Fund. Any money remaining in the Bond Fund after payment in full of the principal of and interest on the Bonds may be transferred to the general operating fund of the District, and the Bond Fund shall be closed.

The District hereby covenants that it will deposit Assessments in the Bond Fund, and into the fund for repayment of the Public Works Trust Fund Loan and shall use such Assessments to pay the interest and principal due on the Bonds and for repayment of the Public Works Trust Fund Loan as the same becomes due. The Bonds shall not be deemed to constitute a general obligation or a pledge of the faith and credit of the District or a revenue debt of any system of the District.

Section 6. Guaranty Fund. A special account of the District to be known as the "Public Utility District No. 1 of Jefferson County Local Utility District No. 14 Guaranty Fund" (the "Guaranty Fund") is hereby authorized to be created and maintained by the Treasurer. The District shall fund the Guaranty Fund over a three year period from the date of issuance of the Bonds in an amount not to exceed the least of (a) 10% of the proceeds of the Bonds, (b) maximum annual debt service on the Bonds or (c) 125% of the average annual debt service on the Bonds to be used to pay principal of and interest on the Bonds in the event of a delinquency in the payment of Assessments in LUD No. 14.

Section 7. Tax Covenant; Special Designation. The District covenants with the owner of the Bonds that it will not use or invest the proceeds of the Bonds or any other funds of the District for any purpose or in any manner or take any other action that would cause the Bonds to be "arbitrage bonds" 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 Bonds 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 Bonds as "qualified tax-exempt obligations" 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 \$30,000,000 in qualified tax-exempt obligations during calendar year 2009.

Section 8. Form of the Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. \_\_\_\_\_

\$ \_\_\_\_\_

STATE OF WASHINGTON  
PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY  
LOCAL UTILITY DISTRICT NO. 14 BOND, 2009

INTEREST RATE: \_\_\_\_\_

MATURITY DATE: March 1, 20[28]

ESTIMATED REDEMPTION DATE: March 1, 20\_\_\_\_

REGISTERED OWNER: Cashmere Valley Bank

PRINCIPAL AMOUNT: \_\_\_\_\_ 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 \$2,000,000 and to pay interest thereon from March \_\_, 2009, 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 March 1, 2010, and annually thereafter on each March 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 fifteenth day of the month prior to the Interest Payment Date. Principal shall be paid to the Registered Owner or assigns upon presentation and surrender of this Bond at the office of the Registrar.

This Bond is one of an authorized issue of Bonds designated the "Local Utility District No. 14 Bonds, 2009" (the "Bonds") in the aggregate principal amount of \$2,000,000 and is issued pursuant to Resolution No. 2009-005 of the District, adopted on March 18, 2009 (the "Bond Resolution") to finance part of the costs of improvements constructed within Local Utility District No. 14 of the District and to repay interim funding for such improvements. This Bond is payable solely from the special funds of the District known as the "Local Utility District No. 14 Bond Fund" (the "Bond Fund") and the "Local Utility District No. 14 Guaranty Fund" (the "Guaranty Fund") of the District. The District has irrevocably obligated and bound itself to pay into the Bond Fund and the fund for repaying the Public Works Trust Fund Loan all assessments levied within Local Utility District No. 14.

This Bond is not a general obligation of the District.

On each Interest Payment Date, the District shall apply all amounts remaining in the Bond Fund after payment of accrued interest to the prepayment at par of the outstanding principal of the Bonds, in whole or in part, in numerical order. Interest on the Bonds or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

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 Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified and declared that this Bond is issued pursuant to and in compliance with the Constitution and the 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 of 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 March, 2009.

PUBLIC UTILITY DISTRICT NO. 1  
OF JEFFERSON COUNTY, WASHINGTON

By: 

President, Commission



By: Dana Roberts  
Secretary, Commission

Date of Authentication: \_\_\_\_\_

#### CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered Public Utility District No. 1 of Jefferson County, Washington Local Utility District No. 14 Bonds described in the Bond Resolution.

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

By \_\_\_\_\_  
Authorized Signatory

Section 9. Application of Proceeds. All proceeds of the Bonds shall be deposited into the 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. 14, to repay the Note and to pay all expenses incidental thereto and to the issuance of the Bonds. Bond proceeds may be invested as permitted by law.

Section 10. Execution and Authentication of the Bonds. The Bonds shall be executed on behalf of the District with the manual or facsimile signature of the President of the Commission and by the manual or facsimile signature of the Secretary of the Commission. The Bonds 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 Bonds shall cease to be an officer or officers of the District before the Bonds shall have been authenticated or delivered by the Registrar, or issued by the District, such Bonds 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 Bonds may also be signed and attested on behalf of the District by such persons as at the actual date of execution of the Bonds shall be the proper officers of the District although at the original date of the Bonds any such person shall not have been such officer of the District.

Section 11. Defeasance. In the event that the District, in order to effect the payment retirement or redemption of the Bonds, sets aside in the 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 Bonds in accordance with their 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 Bond Fund for the payment of the principal of and interest on the Bonds. The owner of the Bonds 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 Bonds shall be deemed not to be outstanding under this resolution.

Section 12. Lost or Stolen Bond. In case any 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 13. Payment of Assessments and Interest on Assessments. The District has heretofore levied Assessments in the total amount of \$5,266,200 in LUD No. 14. \$1,141,768.70 was prepaid prior to the adoption of this resolution, and the remaining \$4,124,431.30 is payable in 17 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. 2008-013. The balance of Assessments remaining unpaid at the end of the prepayment period shall bear interest at a per annum rate of 4%.

Section 14. Sale of the Bonds. The Bonds shall be sold to Cashmere Valley Bank pursuant to the terms of this resolution and the Bank Offer. The District covenants to perform all obligations set forth in the Bank Offer. A loan fee of \$20,000 shall be paid to the Bank at closing and may be paid from Bond proceeds or other money of the District.

Section 15. Reporting Requirements. With respect to the Bonds, 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 Bonds remain 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 16. 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 provisions of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

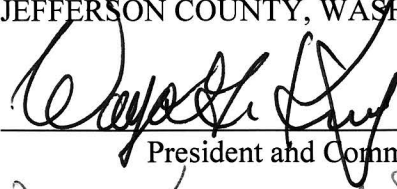
Section 17. General Authorization; Ratification of Prior Acts. The appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified.

Section 18. Effective Date. This resolution shall be effective immediately upon its adoption.

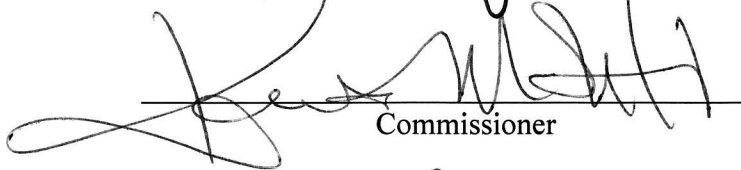


ADOPTED by the Commission at a regular meeting thereof, held on March 18, 2009, and duly authenticated in open session by the signatures of the Commissioners present and voting in favor thereof.

PUBLIC UTILITY DISTRICT NO. 1 OF  
JEFFERSON COUNTY, WASHINGTON



President and Commissioner

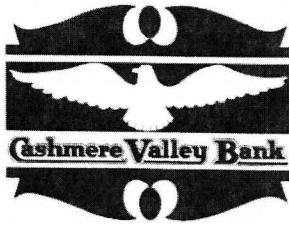


Commissioner



Commissioner

**EXHIBIT A**  
**OFFER OF THE BANK**



March 18, 2009

Jim Parker  
Manager  
Public Utility District #1 of Jefferson County  
P.O. Box 929  
230 Chimacum Road  
Port Hadlock, WA 98339

Dear Mr. Parker,

Thank you for the opportunity to propose an offer to purchase Local Utility District Assessment Bonds (the "Bonds") in support of the Local Utility District No. 14 Marrowstone Island project. Cashmere Valley Bank ("the Bank") has approved the borrowing facility outlined in this commitment letter under the following terms:

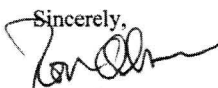
1. Issuer: Public Utility District No. 1 of Jefferson County (the "District")
2. Amount: \$2,000,000
3. Form: Registered bonds issued by the District and purchased by the Bank at private sale.
4. Purpose: To finance the costs of improvements made within Local Utility District No. 14 (the "LUD"), and to pay certain costs of issuance of the Bonds.
5. Bond Terms:
  - a) Interest Rate: Interest rates are as indicated on the attached schedule, Exhibit A. Calculated on a 30/360 basis.
  - b) Terms: The bonds will all mature March 1, 2028. The individual Bonds will be numbered 1 through 17 and are estimated maturities. Interest on all Bonds will be due annually on March 1. The District will use excess collected assessment payments to call the Bonds or make partial bond payments, in numerical order.
  - c) Transferability: The Bank will hold the Bonds with no intent to sell or transfer. The Bonds may be transferred only in whole to a qualified investor, and the Bond Resolution will include provisions allowing such transfer.

- d) Security: The District will assess and collect assessments annually against the benefited properties within the LUD in amounts sufficient for the timely payment of principal of and interest on the Bonds. In addition, the District will create and fund over a three year period an LUD Guaranty Fund with a balance approximately equal to 10% of the outstanding principal of the Bonds, to pay principal of and interest on the bonds in the event of a delinquency in the payment of assessments in the LUD.
6. Prepayment: The District may prepay the Bonds, in whole or in part, at anytime. The Bank will not charge a prepayment fee on any amounts prepaid by the District.
7. Fees: A loan fee of 1% will be charged for this credit facility and will be taken as a discount at closing.
8. Acceptance: This commitment is not binding unless the District returns a signed copy of this letter, via mail or facsimile, to the Bank prior to 5:00pm on March 20, 2009. If, after acceptance, the Bonds have not closed by 5:00pm on April 3, 2009 this commitment will expire without notice.
9. Additional Terms: The Bonds documents will be in the standard forms customarily required by the Bank for municipal funding and will include additional terms and conditions not discussed above. The District will designate the Bonds as "qualified tax-exempt obligation" under Section 265(b) (3) of the IRS Internal Revenue Code of 1986, as amended, for investment by financial institutions. The District will provide its annual financial report to the Bank during the period the Bonds are outstanding and held by the Bank. At the date of closing the Bonds, the financial condition and credit of the District and all other features of this transaction will be as represented to the Bank without material adverse change.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Thank you for the opportunity to work with the District and its finance team.

Sincerely,



Ron Olsen  
Director Municipal Services

Acknowledged and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2009

Borrower     Public Utility District No. 1 of Jefferson County

By: \_\_\_\_\_

Title: \_\_\_\_\_

TIN: \_\_\_\_\_

cc:     Nancy Neraas

Acknowledged and accepted this 20<sup>th</sup> day of Mar, 2009

Borrower Public Utility District No. 1 of Jefferson County

By: [Signature] JAMES G PARKER

Title: MANAGER PUD

TIN: 91-6001044

cc: Nancy Neraas

Ron Olsen  
425- 688- 3937



Exhibit A

Estimated Redemption Dates (March 1)	Bond Number	Amounts (\$)	Interest Rate
2010	R-1	85,000	1.80%
2011	R-2	87,000	2.25%
2012	R-3	89,000	2.65%
2013	R-4	91,000	3.05%
2014	R-5	95,000	3.40%
2015	R-6	98,000	3.75%
2016	R-7	102,000	4.15%
2017	R-8	106,000	4.55%
2018	R-9	111,000	4.95%
2019	R-10	116,000	5.20%
2020	R-11	122,000	5.50%
2021	R-12	129,000	5.70%
2022	R-13	136,000	6.00%
2023	R-14	144,000	6.20%
2024	R-15	153,000	6.40%
2025	R-16	163,000	6.60%
2026	R-17	173,000	6.75%

## CERTIFICATE

I, the undersigned, duly appointed and qualified Secretary of the Commission of Public Utility District No. 1 of Jefferson County, Washington, and keeper of the records of the Commissioner (the "Commission"), do hereby certify that the attached resolution is a true and correct copy of Resolution No. 2009-005 (the "Resolution"), adopted by the Commission at a regular open public meeting of the Commission held on March 18, 2009, and duly recorded in my office.

The meeting was duly convened on a regularly scheduled meeting date, at the regularly scheduled time and place and held in all respects in accordance with law; a quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the passage of the Resolution; and all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

Dated as of this 18<sup>th</sup> day of March, 2009.

  
Secretary of the Commission