

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

RESOLUTION NO. 2012-025

A RESOLUTION of Public Utility District No. 1 of Jefferson County establishing a revolving line of credit and authorizing the issuance and sale of a taxable limited tax general obligation bond anticipation note in the principal amount of not to exceed \$5,000,000 to evidence the line of credit to provide funds with which to pay the costs of capital and other expenditures; fixing the terms and covenants of the note; and approving the sale and providing for the delivery of the note to Bank of America, N.A.

WHEREAS, Public Utility District No. 1 of Jefferson County, Washington (the "District"), is in need of funds to pay the cost of capital and other expenditures (the "Project"); and

WHEREAS, RCW 54.16.070 provides that a public utility district may contract indebtedness or borrow money for any corporate purpose on its credit or on the revenues of its public utilities; and

WHEREAS, RCW 39.46.050 provides that a local government authorized to issue bonds may establish lines of credit with any qualified depository to be drawn upon in exchange for its obligations; and

WHEREAS, the Board of Commissioners (the "Commission") deems it to be in the best interests of the District to borrow money by the issuance of bonds and, pending the issuance of bonds, issue short term obligations for the purpose of providing a part of the funds with which to construct and acquire the Project herein described; and

WHEREAS, the District has received a proposal from Bank of America, N.A. (the "Bank") to purchase the Note under the terms set forth in its proposal;

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Definitions. As used in this resolution the following words and phrases shall have the meanings set forth below unless the context clearly indicates that another meaning is intended.

"Authorized Officer" means the Manager of the District.

"BBA LIBOR Daily Floating Rate" is a fluctuating rate of interest equal to the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by

Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time), as determined for each banking day at approximately 11:00 a.m. London time two London Banking Days prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank.

"BBA LIBOR Daily Floating Rate Option" means a rate per year equal to the BBA LIBOR Daily Floating Rate plus 0.95%.

"Bank" means Bank of America, N.A.

"Commission" means the Board of Commissioners, which is the governing body of the District as the same shall be duly and regularly constituted from time to time.

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

"LIBOR" means, for any applicable interest period, the rate per annum, equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) at approximately 11:00 a.m. London time two London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to such interest period. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternative method as reasonably selected by the Bank.

"LIBOR Fixed Rate Option" means a rate per year equal to LIBOR plus 0.95%. Advances of 1-12 months will be available under the LIBOR Fixed Rate Option.

"LIBOR Interest Rate Period" means a period in monthly increments of one month to 12 months commencing on a London Banking Day. The date of the last day of the LIBOR Interest Rate Period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.

"London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

"Note" means the District's Limited Tax General Obligation Bond Anticipation Note, 2012 (Taxable) issued pursuant to this resolution.

"Project" means construction of approximately 11 miles of three phase power line, acquisition of trucks and equipment for the electric system, and other capital and operating purposes of the District.

"Request for Draw" means an oral or written request by an Authorized Officer for a draw from the line of credit authorized to be established by this resolution.

"Treasurer" means the Jefferson County Treasurer, as *ex officio* treasurer of the District, or such other person or office as may hereafter be designated by law to perform the duties of treasurer of the District.

Section 2. Debt Capacity. The assessed valuation of the taxable property of the District as ascertained by the last preceding assessment for District purposes for the calendar year 2012 is \$4,922,402,055, and the District has no outstanding general indebtedness evidenced by limited tax general obligations incurred within the limit of up to $\frac{3}{4}$ ths of 1% of the value of the taxable property within the District permitted for general municipal purposes without a vote of the qualified voters therein, and no unlimited tax general obligations, and the amount of indebtedness for which the note is authorized herein to be issued is \$5,000,000.

Section 3. Description of the Note. For the purpose of providing a part of the funds with which to pay the costs of the Project pending the receipt of the proceeds of the District's future bonds, the District shall establish a revolving line of credit and issue and sell its Limited Tax General Obligation Bond Anticipation Note, 2012 (Taxable) (the "Note"), in the aggregate principal amount of not to exceed \$5,000,000.

The Note shall be dated the date of delivery to the Bank and shall bear interest on the outstanding principal balance at a rate per annum that is either the BBA LIBOR Daily Floating Rate Option or the LIBOR Fixed Rate Option, each as described below. Interest on the outstanding principal balance of the Note shall be payable quarterly, on each March 1, June 1, September 1 and December 1, commencing March 1, 2013, calculated on the basis of a 360-day year and the actual number of days elapsed. The Note matures on, and all principal of and interest on the Note must be paid by one year from its dated date (the "Maturity Date").

Any Request for a Draw shall be in the form of Exhibit B attached, and shall specify whether such draw shall bear interest at the BBA LIBOR Daily Floating Rate Option, or at the LIBOR Fixed Rate Option. The minimum principal amount of any draw subject to the LIBOR Fixed Rate Option is \$100,000.

Notwithstanding the foregoing, so long as an event of a default (as defined in Section 11) has occurred and is continuing hereunder, outstanding principal amounts will bear interest at a default rate three (3.0) percentage points in excess of the interest rate otherwise applicable under the Note.

As provided in the Proposal (as defined herein), the Bank can pass on increased costs to the District in certain events.

The Note shall be issued in fully registered form. Both principal of and interest on the Note shall be payable in lawful money of the United States of America by automatic debit on the due date from the District's checking account at the Bank. The Bank will give 10 days' prior notice to the District and the Treasurer of the approximate amount (depending on changes in the interest rate occurring after the date of such notice) to be debited. Principal and interest shall be an obligation only of the Note Fund. The Treasurer shall act as Note Registrar.

The outstanding principal balance of the Note on any particular day shall be the aggregate of all funds which the District has drawn from the date of the Note to that day less the aggregate of all principal payments made by the District on or before that day. Interest on a particular principal amount so advanced shall be determined from the date of the advance of Note proceeds pursuant to a Request for Draw by the District.

A Request for Draw pursuant to the Note may be made by an Authorized Officer in writing at any time prior to the Maturity Date. No Request for Draw may be made on or after the Maturity Date. Requests for Draw shall include requests by email or fax bearing a facsimile signature of an Authorized Officer. The District hereby delegates to the Authorized Officer the authority to make a Request for Draw pursuant to this resolution.

The Bank shall incur no liability to the District or to any other person in acting upon any notice or other communication which the Bank believes in good faith to have been given by an official or other person authorized to borrow on behalf of the District, or otherwise acting in good faith in making advances pursuant to this resolution.

Section 4. Registration, Payment and Transfer of the Note. The District requests that the Treasurer act as authenticating agent, transfer agent, paying agent and registrar for the Note (collectively, the "Registrar"). Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Installments of the principal of and interest on the Note 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 registered owner at the address appearing on the Note Register. Upon final payment of all installments and interest thereon, the Note shall be submitted to the Registrar for cancellation and surrender.

The Note may be transferred only on the Note Register maintained by the Registrar for that purpose upon the surrender thereof by the registered owner or nominee or his/her duly authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully registered Note of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Such transfer or exchange shall be without cost to the registered owner or transferee. The Note shall be transferable only in whole to a qualified investor.

Section 5. Prepayment. The District hereby reserves the right to prepay at any time all or part of the Note without penalty, except that if the District prepays the principal of the Note bearing interest at the LIBOR Fixed Rate Option prior to the expiration of the applicable LIBOR Interest Rate Period, a prepayment fee shall apply as follows. If outstanding principal amounts are prepaid prior to the last day of the applicable LIBOR Interest Rate Period, whether by voluntary prepayment or otherwise, the prepayment shall be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee. The prepayment fee shall be in an amount sufficient to compensate the Bank for any loss, cost or expense incurred by it as a result of the prepayment, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain the credit facility or from fees payable to terminate the deposits from which such funds were obtained. The District shall also pay any customary administrative fees charged by the Bank in connection with the foregoing. For purposes of this paragraph, the Bank shall be deemed to have funded the line of

credit by a matching deposit or other borrowing in the applicable interbank market, whether or not the line of credit was in fact so funded.

Section 6. Pledge of Taxes. The District irrevocably pledges to redeem the Note on or before its stated Maturity Date from the proceeds of a sufficient amount of bonds, from the proceeds of additional short term obligations or from other money and revenues of the District legally available for such purpose, and to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the District on all of the taxable property within the District in an amount sufficient, together with those bond or other short term obligation proceeds and other money legally available and to be used therefor, to pay when due the principal of and interest on the Note and those bonds, and the full faith, credit and resources of the District are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 7. Form and Execution of the Note. The Note shall be prepared in a form consistent with the provisions of this resolution and state law, shall be signed by the President of the Commission of the District and attested by the Manager or Secretary of the Commission, either or both of whose signatures may be manual or in facsimile.

Only the Note that bears a Certificate of Authentication in the following form, manually signed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

CERTIFICATE OF AUTHENTICATION

This Note is one of the fully registered Public Utility District No. 1 of Jefferson County, Washington, Limited Tax General Obligation Bond Anticipation Note, 2012 (Taxable), described in the Note Resolution.

DISTRICT TREASURER, as Note Registrar

By [specimen]
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Note ceases to be an officer of the District authorized to sign notes before the Note bearing his facsimile signature is authenticated or delivered by the Note Registrar or issued by the District, that Note nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the District as though that person had continued to be an officer of the District authorized to sign notes. The Note also may be signed on behalf of the District by any person who, on the actual date of signing of the Note, is an officer of the District authorized to sign notes, although he did not hold the required office on the date of issuance of the Note.

Section 8. Note Fund; Disposition of Note Proceeds. There is hereby created in the office of the Treasurer, a special fund of the District known as the "Limited Tax General Obligation Bond Anticipation Note Fund, 2012" (the "Note Fund"), which fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Note. All bond proceeds and taxes collected for and allocated to the payment of the principal of and interest on the Note shall be deposited in the Note Fund.

There also is created or maintained in the office of the Treasurer a special fund designated as the Jefferson County PUD #1 Project Fund, Trustee, RUS Special Project Account (the "Project Account"). The draws under the Note shall be deposited in the Project Account and shall be used, together with other money on deposit therein and available therefor, to finance costs of the Project and for paying all expenses incidental thereto (including but not limited to costs of issuance of the Note, engineering, financing, legal or any other incidental costs) and for repaying any advances heretofore or hereafter made on account of such costs or for redeeming the Note. All money held in the Project Account may be invested in any legal investment for the District's funds. Interest earned and income or profits derived by virtue of investments of money in the Project Account may remain in the Project Account and may be used for the payment of costs of the Project. Upon the completion of the Project and the payment of all costs thereof, including the payment of all retainages for construction, the balance on hand in the Project Account shall be transferred to District fund(s) or otherwise disbursed as required under grant/loan contracts, and the Project Account shall be closed. If the Project is completed or any portion of the Project is found to be impractical to complete, any remaining money in the Project Account may be used to repay the Note or finance other improvements or costs.

Section 9. Sale of the Note; Unused Commitment Fee. The sale of the Note to the Bank, under the terms and conditions of this resolution and the proposal attached hereto as Exhibit A (the "Proposal") to purchase the Note, is hereby approved and confirmed. The District agrees to pay the fees specified in the Proposal. Upon delivery of the Note, the District shall pay to the Bank a fee of \$10,000, and reimburse the Bank for its legal fees in the amount of not to exceed \$1,200. In addition, the District agrees to pay to the Bank quarterly in arrears, on each March 1, June 1, September 1 and December 1, commencing March 1, 2013, and on the Maturity Date or earlier redemption of the Note, a fee for the unused portion of the Bank's commitment, which fee shall equal 0.40% per annum and calculated on the difference for the preceding quarterly period, on the basis of actual number of days elapsed in a 360-day year, between \$5,000,000 and the average outstanding principal balance of the Note. Payments shall be made by check, wire transfer or other mutually acceptable means to the Bank or to its designated payee.

Section 10. Reporting Requirements. The District shall submit the following reports to the Bank: (a) unaudited annual financial statements within 180 days after the end of each fiscal year and audited financial statements within 10 days after it is available; (b) annual budget within 60 days of the District's fiscal year end; and (c) such additional information as the Bank may reasonably request.

Section 11. Default. The following shall constitute an event of default under the Note:

- (a) nonpayment of principal, interest, fees or other amounts under the Note when due,
- (b) violation of any covenant of this resolution,
- (c) if the District has given the Bank materially false or misleading information or representations,
- (d) if a default occurs under other material agreements and indebtedness of the District,
- (e) if the District files a bankruptcy petition, a bankruptcy petition is filed against it, or the District makes a general assignment for the benefit of creditors,
- (f) if a receiver or similar official is appointed for a substantial portion of the District's business, or the business is terminated,
- (g) if there is an actual or asserted invalidity of any documentation or security interest in the Note, or
- (h) if a material adverse change occurs in the District's condition (financial or otherwise), operations or properties, and such adverse change impacts the District's ability to repay the Note,

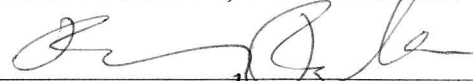
Provided, that no payment default shall be deemed to occur until the Bank has given written notice to the District of its failure to make such payment and 10 calendar days have passed, and no other default shall be deemed to occur until the Bank has given written notice to the District of its failure to comply with a covenant and 30 calendar days have passed.

Section 13. 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 District.

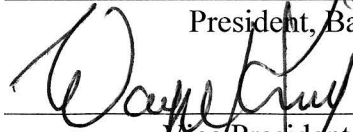
Section 14. Effective Date. This resolution shall take effect immediately after its adoption.

ADOPTED AND APPROVED by the Board of Commissioners of Public Utility District
No. 1 of Jefferson County, Washington, at a meeting this 20th day of November, 2012.

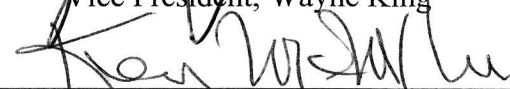
PUBLIC UTILITY DISTRICT NO. 1 OF
JEFFERSON COUNTY, WASHINGTON



President, Barney Burke



Vice President, Wayne King



Secretary, Ken McMillen

EXHIBIT A
BANK PROPOSAL



Bank of America, N.A.
Public Sector Banking & Markets
WA1-501-34-03
800 - 5th Ave., Floor 34
Seattle, WA 98104-3176

Alex Johnston
Senior Vice President
Tel: 206-358-8938
Fax: 206-358-8818
Alex.johnston@baml.com

October 10, 2012

Jim Parker, Manager
Public Utility District No. 1 of Jefferson County
P. O. Box 929
Port Hadlock, WA 98339

Dear Jim:

Bank of America N. A. is pleased to provide the attached proposal for a new Revolving Line of Credit – Bond Anticipation Note (the "Credit Facility") to Public Utility District No. 1 of Jefferson County (the "PUD"). The Credit Facility will be used to fund capital expenditures and working capital needs of new electric system pending receipt of funding from approved Rural Utilities Service loan and receipt of electric revenues and/or other long term financing.

The rates and terms for the Credit Facility are attached to this letter, as Summary of Terms and Conditions. The terms and conditions are not all-inclusive, but generally describe the proposal offered to the PUD.

The terms of this letter are confidential and, except for disclosure on a confidential basis to the accountants, attorneys and other professional advisors retained by the PUD in connection with the products and services therein or as may be required by law (including any public meeting or public disclosure law), may not be disclosed by the PUD or any of such advisers in whole or in part to any other person or entity without our prior written consent.

We appreciate the opportunity to present you with this proposal. Please call me at 206-358-8938 to discuss any questions or comments you may have. We look forward to working with you on this transaction.

Very truly yours,

BANK OF AMERICA, N.A.

A handwritten signature in black ink, appearing to read "Alex Johnston", written over a horizontal line.

Alex Johnston
Senior Vice President

Cc: Barbara Miller, Bank of America

SUMMARY OF TERMS AND CONDITIONS
Public Utility District No. 1 of Jefferson County
October 10, 2012

(For Discussion Purposes Only)

BORROWER: Public Utility District No. 1 of Jefferson County, Washington (the "Borrower").

LENDER: Bank of America, N.A. ("Bank of America").

CREDIT FACILITY: \$5,000,000 Taxable Revolving Line of Credit, Limited Tax General Obligation Bond Anticipation Note (the "Credit Facility").

PURPOSE: The proceeds of the Credit Facility shall be used for capital expenditures and startup working capital needs related to new electric system and costs of issuance.

CLOSING DATE: The execution of definitive Loan Documents, anticipated to occur on or before November 1, 2012 (the "Closing Date").

INTEREST RATE: The following interest rate options will be available to Borrower for both Credit Facility options:

BBA LIBOR Daily Floating Rate: A rate per year equal to the BBA LIBOR Daily Floating Rate plus 0.95%.

LIBOR Fixed Rate: A rate per year equal to the LIBOR 1-12 Month Fixed Rate plus 0.95%. LIBOR Fixed Rate advances of 1-12 months will be available.

The BBA LIBOR Daily Floating Rate is a fluctuating rate of interest which can change on each banking day. The rate will be adjusted on each banking day to equal the British Bankers Association LIBOR Rate ("BBA LIBOR") for U.S. Dollar deposits for delivery on the date in question for a one month term beginning on that date. The Bank will use the BBA LIBOR Rate as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) as determined at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

The BBA LIBOR Rate (Adjusted Periodically) is a rate of interest equal to the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) as determined for each Adjustment Date at approximately 11:00 a.m. London time two (2) London Banking Days prior to the Adjustment Date, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term of one to twelve months, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably

selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

All calculations of interest and fees shall be made on the basis of actual number of days elapsed in a 360-day year. Minimum LIBOR Fixed Rate advance is \$100,000.

ORIGINATION FEE: Borrower agrees to pay an origination fee equal to 0.20% of the total aggregate principal amount of the Credit Facility (\$10,000). The Origination Fee shall be payable and fully earned on the Closing Date.

UNUSED COMMITMENT FEE: Borrower agrees to pay to Bank quarterly in arrears an unused commitment fee of 0.40%. The fee is calculated on the difference between the maximum amount of the Credit Facility and the average aggregate principal amount advanced under the Credit Facility for the preceding quarterly period, calculated on the basis of actual number of days elapsed in a 360-day year, until Credit Facility is paid in full and terminated. Fee is due quarterly with same due dates as interest (see below).

MATURITY/REPAYMENT:

- Borrower may request draws under the Credit Facility until Maturity Date of November 1, 2013.
- Accrued interest will be paid quarterly on the first day of each February, May, August and November, commencing February 1, 2013.
- Principal balance outstanding and all accrued interest and fees are payable on Maturity Date.

All payments of principal and interest shall be made via automated debit of Borrower's checking account with Bank of America.

SECURITY - COLLATERAL: Limited Tax General Obligation of the Borrower.

The full faith, credit and resources of the Borrower are pledged irrevocably for the annual levy, imposition, and collection of taxes and charges and the prompt payment of principal and interest on the Credit Facility.

PREPAYMENTS: For any period that any facility under the Credit Facility is bearing interest at a rate that can fluctuate daily, the Borrower may prepay principal in whole or in part such facility without any prepayment fee. During any period that the interest rate is fixed for a specified interest period, any prepayment prior to the last day of the interest period (whether by acceleration or otherwise) will result in a prepayment fee. The calculation of the prepayment fee shall include any loss or expense which the Bank may incur or sustain as a result of the prepayment, including reimbursement of the Bank's breakage costs.

REPRESENTATIONS AND WARRANTIES: Usual and customary for transactions of this type.

COVENANTS: Usual and customary for transactions of this type.

BORROWER LEGAL OPINION: Borrower to provide a legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank of America and its legal counsel, that (i) the resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; and (ii) the resolution and all documents related to the Credit Facility constitute legally binding obligations of the Borrower, payable from the Security and enforceable according to their terms (subject to standard exceptions).

**REPORTING
REQUIREMENTS:**

Financial Information from Borrower. Borrower to provide financial information and statements in form and content acceptable to Bank of America indicated below:

- Within 270 days of the Borrower's fiscal year end, the Borrower's audited annual financial statements.
- Within 60 days of Borrower's fiscal year end, Borrower's adopted budget.
- Such other additional information as Bank of America may reasonably request.

EVENTS OF DEFAULT:

Usual and customary in transactions of this type, to include without limitation: (i) nonpayment of principal, interest, fees or other amounts; (ii) violation of covenants; (iii) inaccuracy of representations and warranties; (iv) cross-default to other material agreements and indebtedness; (v) bankruptcy and other insolvency events; (vi) creditor or forfeiture proceedings; (vii) actual or asserted invalidity of any loan documentation or security interests; (viii) material events affecting guarantor; and (ix) material adverse change.

In addition to other remedies, if an Event of Default occurs then Bank of America may increase the interest rate by 3.00%.

GOVERNING LAW:

State of Washington.

EXPENSES:

Borrower will pay all reasonable costs and expenses of the Bank associated with the preparation, due diligence, administration and closing of all documentation executed in connection with the Credit Facility, including, without limitation, the legal fees of counsel to the Bank, regardless of whether or not the Credit Facility is closed. Bank attorneys' fees for initial review and approval of documentation prepared by Borrower's bond counsel are estimated at \$1,200. The Borrower shall also pay the expenses of the Bank in connection with the enforcement of any of the Loan Documents. Bank of America's attorneys' fees.

ADDITIONAL COSTS:

The Borrower will pay the Bank, on demand, for the Bank's costs or losses arising from any Change in Law that are allocated to the Credit Facility or any credit outstanding under the Credit Facility. The allocation will be made as determined by the Bank, using any reasonable method. The costs include, without limitation, the following:

- (a) any reserve or deposit requirements (excluding any reserve requirement already reflected in the calculation of the interest rate under the Facility); and
- (b) any capital requirements relating to the Bank's assets and commitments for credit.

"Change in Law" means the occurrence, after the date of the Bank's commitment to provide the Facility, of the adoption or taking effect of any new or changed law, rule, regulation or treaty, or the issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued in connection with that Act, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted,

adopted or issued.

**EXPIRATION OF TERMS
AND CONDITIONS:**

Unless rescinded earlier, consideration of a financing based on the terms and conditions presented in this term sheet shall automatically expire 30 days from the date hereof unless Bank of America is selected by Borrower as the Lender for this transaction. The Bank reserves the right to terminate, reduce or otherwise amend its commitment if the subject transaction is not closed by November 15, 2012. All fees and expenses, including those of Bank legal counsel, are subject to increase if the transaction is not closed by November 1, 2012. In addition, the fees and expenses payable to Bank Counsel may be increased if the security and/or structure of the transaction changes materially once documentation has commenced.

This Summary of Terms and Conditions is for discussion purposes only and is not a financing commitment and is being submitted to you with the express understanding that it does not, and shall not be deemed to, establish, memorialize or otherwise create or confirm the existence of any binding commitment or agreement on the part of Bank of America, N.A. or any affiliate thereof, to provide the financing set forth herein (the "Proposed Financing") or otherwise to extend credit to or on behalf of the Borrower or any of its affiliates, whether on the terms set forth herein or otherwise. The issuance of a firm commitment by Bank of America, N.A. to provide all or any portion of the Proposed Financing or otherwise to extend credit to or on behalf of the Borrower or any of its affiliates will be in the form of a further written letter agreement, identifying itself as a "commitment letter", and will be subject to, among other conditions precedent, subject to the satisfactory completion of a due diligence review, receipt of necessary internal credit approvals and execution of acceptable commitment documentation with respect to any proposed financing.

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

EXHIBIT B

**PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2012
(TAXABLE)
REQUEST FOR DRAW NO. _____**

TO: _____

On behalf of Public Utility District No. 1 of Jefferson County, Washington (the "District"), I hereby certify that:

1. I am an Authorized Officer of the District, authorized by Resolution No. 2012-025 of the Board of Commissioners of the District adopted on November 20, 2012 (the "Resolution") to request this draw under the District's Limited Tax General Obligation Bond Anticipation Note, 2012 (Taxable) (the "Note") and to make the representations on behalf the District set forth herein.

2. The District requests a draw under the Note in the amount of: \$ _____.

The aggregate outstanding amount of draws requested under the Note, including this draw, do not exceed \$5,000,000. Please disburse the draw to the District on [insert date], by depositing funds to the District's account at the Bank.

3. This draw shall bear interest in (check one of the following):

☐ the BBA LIBOR Daily Floating Rate Option.

☐ the LIBOR Fixed Rate Option for a _____ Month LIBOR Interest Rate Period.

4. The draw will be expended for purposes authorized by the Resolution.

5. Except as previously disclosed to the Bank, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental body pending or, to the best of the knowledge of the District, threatened against the District that, in the reasonable judgment of the District, would have a material and adverse effect on the ability of the District to pay the amounts due under the Resolution and the Note.

6. All representations of the District in the Resolution were true and correct when made, and remain true and correct on this date.

7. If the draw shall bear interest under the LIBOR Fixed Rate Option, the District hereby certifies (a) that the amount of the draw equals or exceeds \$100,000, and (b) that the date designated in paragraph 2 above for disbursement is at least three London Banking Days after the delivery of this request for draw.

Dated as of this ____ day of _____, ____.

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON
COUNTY, WASHINGTON

By: _____
Authorized Officer

CERTIFICATE

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

1. That the attached is a true and correct copy of Resolution No. 2012-025 of the Commission, duly adopted at a regular meeting thereof held on the 20th day of November, 2012.

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 legal 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; that all other requirements and proceedings incident to the proper passage of the resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

Dated this ____ day of _____, 2012.


Secretary