

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

RESOLUTION NO. 1513

A RESOLUTION of Public Utility District No. 1 of Okanogan County, Washington, authorizing the issuance of two series of the District's Electric System Revenue Bonds in the aggregate principal amount of \$32,460,000 to finance improvements to the District's Electric System and to refund certain outstanding revenue bonds of the District; providing the terms of the Bonds; and approving the sale of the Bonds.

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WHEREAS, Public Utility District No. 1 of Okanogan County, Washington (the "District") owns and operates an electric utility system for the generation, transmission and distribution of electric energy and telecommunications (the "Electric System"); and

WHEREAS, the District now has outstanding its Electric System Revenue Bonds, 2002, in the principal amount of \$6,090,000, issued pursuant to Resolution No. 1236 (the "2002 Bonds"); and

WHEREAS, Resolution No. 1236 provides that the 2002 Bonds maturing on and after December 1, 2012 may be redeemed on and after June 1, 2012, at a price of par plus accrued interest to the date of redemption (the "Refunded Bonds"); and

WHEREAS, the District now has outstanding its Electric System Revenue Bonds, 2003 Series A, in the principal amount of \$4,030,000, issued pursuant to Resolution No. 1253 (the "2003A Bonds"); and

WHEREAS, the District now has outstanding its Electric System Revenue Bonds, 2003 Series B (Taxable), in the principal amount of \$4,360,000, issued pursuant to Resolution No. 1253 (the "2003B Bonds"); and

WHEREAS, the District has approved the issuance of its Promissory Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), in the principal amount of not to exceed \$3,667,855, pursuant to Resolution No. 1512 (the "RUS Note"); and

WHEREAS, the District can realize debt service savings by issuing refunding bonds (the "Refunding Bonds") to refund the Refunded Bonds; and

WHEREAS, it is in the best interest of the District that the District undertake certain capital improvements to facilities of the Electric System (the "Project"); and

WHEREAS, to finance costs of the Project and to refund the Refunded Bonds, it is hereby found advisable that the District issue its electric system revenue and refunding bonds, to be issued in two series as provided in this resolution (collectively, the "Bonds"); and

WHEREAS, the provisions of Resolutions No. 1236, 1253 and 1512 permit the District to issue the Bonds on a parity of lien with the 2002 Bonds, 2003A Bonds, 2003B Bonds and the RUS Note, if certain conditions are met; and

WHEREAS, the Commission has received an offer from Seattle-Northwest Securities Corporation, to purchase the Bonds and finds that it is in the best interests of the District that such offer be accepted;

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN 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.

“Accreted Value” means, with respect to any Capital Appreciation Bond, as of the time of calculation, the sum of the amounts set forth in the resolution authorizing such bonds as the amounts representing the initial principal amount of such bond plus interest accrued, compounded and unpaid thereon as of the most recent compounding date.

“Acquired Obligations” means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required to be paid into the Bond Account, in such Fiscal Year, to pay:

- (a) the interest due in such Fiscal Year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of the sale of bonds and less the federal credit for a portion of interest on the Bonds or Future Parity Bonds if permitted to be deducted as provided in Sections 10B and 18B; and
- (b) the principal of all outstanding Serial Bonds due in such Fiscal Year; and
- (c) the Sinking Fund Requirement, if any, for such Fiscal Year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a sinking fund installment shall be included in the calculation of interest or principal in such manner and during such period as is specified in the resolution authorizing such Capital Appreciation Bonds. In calculating Annual Debt Service for purposes of this subparagraph, if the interest rate on any Parity Bonds is other than a fixed rate, the rate used shall be any rate published as The Bond Buyer's Revenue Bond Index for municipal revenue bonds within the 30 day period prior to the date of such calculation. If such index is no longer published, another nationally recognized index for municipal revenue bonds maturing in 20 to 30 years may be used.

With the consent of the appropriate percentage of Outstanding Parity Bond owners, the District may pass a supplemental resolution supplementing this resolution for the purpose of providing that in calculating the Annual Debt Service, the District may exclude the direct payment the District is expected to receive in respect of the Bonds or other Future Parity Bonds

for which the federal government will provide the District with a direct payment of a portion of the interest from the interest portion of Annual Debt Service. The owners of the Bonds by taking and holding the same shall be deemed to have consented to the adoption by the District of such supplemental resolution.

“Bond Account” means the Electric Revenue Bond Account created by Resolution No. 1236.

“Bond Register” means the registration records for the Bonds maintained by the Bond Registrar.

“Bond Registrar” means the fiscal agency of the State of Washington in New York, New York, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring ownership of the Bonds, and paying the principal of and interest on the Bonds.

“Bonds” mean the Series A Bonds and the Series B Bonds.

“Capital Appreciation Bonds” means Parity Bonds, the interest on which accrues and compounds, payable at maturity or earlier redemption.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

“Costs of Maintenance and Operation” means all ordinary operating expenses, and including, but not limited to, costs of purchasing energy, capacity, reserves and services, including from the Wells Project, municipal taxes, and payments by the District in lieu of taxes, and current maintenance expenses, but excluding depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the Electric System, or any extraordinary operating expenses including but not limited to tort claim judgments or settlements arising from the operation of the Electric System.

“Commission” means the Board of Commissioners as the general legislative authority of the District.

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

“DTC” means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

“Electric System” or “System” means the generation, distribution and transmission facilities, telecommunications facilities of the District, and any facilities hereafter acquired by the District, but such Electric System shall not include any property and facilities as may hereafter be acquired or constructed and established as a separate utility system not financed from the Gross Revenues except on a basis junior and inferior to the lien on Gross Revenue

pledged to pay and secure the Bonds, the revenue of which separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire such separate utility system.

“Event or Events of Default” means those events described as Events of Default in Section 22.

“Fiscal Year” means the Fiscal Year used by the District at any time. At the time of the adoption of this resolution, the Fiscal Year is the 12 month period beginning January 1 of each year.

“Future Parity Bonds” means any bonds of the District issued after the date of issuance of the Bonds that will have a lien upon the Gross Revenues of the System for the payment of the principal thereof and interest thereon equal to the lien upon the Gross Revenues of the Electric System for the payment of the principal of and interest on the Bonds.

“Government Obligations” has the meaning given to such term in chapter 39.53 RCW, as the same may be amended from time to time.

“Gross Revenue” means all income and revenues received by the District from the sale of electric energy through the ownership or operation of the Electric System and all other commodities, services and facilities sold, furnished or supplied by the District through the ownership or operation of the Electric System, together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System (but exclusive of income derived from investments irrevocably pledged to the payment of any specific revenue bonds of the District, such as bonds refunded or defeased pursuant to Section 11, investment income earned on money in any arbitrage rebate account, grants for capital purposes, assessments in any local utility district and any ad valorem tax revenues).

“Letter of Representations” means the Blanket Issuer Letter of Representations from the District to DTC, as it may be amended from time to time.

“Moody’s” means Moody’s Investors Service or its successor.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“Net Revenue” means the excess of Gross Revenue over Costs of Maintenance and Operation, excluding from the computation of Net Revenue (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the Electric System and (b) insurance proceeds other than proceeds to replace lost revenue.

“Outstanding Parity Bonds” means the 2002 Bonds, 2003A Bonds, 2003B Bonds and the RUS Note.

“Parity Bonds” means the Outstanding Parity Bonds, the Bonds and all Future Parity Bonds.

“Permitted Investments” means any investments or investment agreements permitted under the laws of the State as amended from time to time.

“Professional Utility Consultant” means the independent person(s) or firm(s) selected by the District having a favorable reputation for skill and experience with electric systems of comparable size and character to the Electric System in such of the following as are relevant to the purposes for which they are retained: (a) engineering and operations and (b) the design of rates.

“Project” means the capital improvements to the Electric System approved pursuant to Section 2 hereof and financed with proceeds of the new money portion of the Bonds.

“Qualified Insurance” means any noncancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of two highest rating categories by Moody’s and S&P or their comparably recognized business successors.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of any Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest rating categories by Moody’s and S&P or their comparably recognized business successors.

“Refunded Bonds” means the outstanding Electric System Revenue Bonds, 2002, of the District maturing in the years 2012 through 2021, inclusive, issued pursuant to Resolution No. 1236, the refunding of which has been provided for by this resolution.

“Refunding Plan” means:

(a) the placement of sufficient proceeds of the Series A Bonds which, together with other money of the District, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;

(b) the payment of the principal of and interest on the Refunded Bonds when due up to and including June 1, 2012, and the call, payment, and redemption on June 1, 2012, of all of the then-outstanding Refunded Bonds at a price of par; and

(c) the payment of the costs of issuing the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

“Refunding Trust Agreement” means a Refunding Trust Agreement between the District and the Refunding Trustee.

“Refunding Trustee” means U.S. Bank National Association of Seattle, Washington, serving as trustee or escrow agent or any successor trustee or escrow agent.

“Registered Owner” means the person in whose name a Bond is registered on the Bond Register. For so long as the District utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

“Reserve Account” means the subaccount in the Bond Account created by Section 10.

“Reserve Account Requirement” means with respect to all outstanding Parity Bonds on any date the lesser of (a) 125% of average Annual Debt Service or (b) maximum Annual Debt Service; provided, that at the time of issuance of any series of Parity Bonds, the Reserve Account Requirement allocable to a series of Parity Bonds shall not exceed 10% of the initial principal amount of that series of Parity Bonds. In the case of Capital Appreciation Bonds, the maximum amount of interest thereon shall be calculated to be the maximum annual accretion in value of such Capital Appreciation Bonds from the date of calculation until the final maturity thereof.

“Resource Obligation” means an obligation of the District to pay the following costs associated with a resource from Gross Revenues as (a) Costs of Maintenance and Operation for any month in which any power and energy or other goods and services from such resource were made available to the Electric System during such month (regardless of whether or not the System actually scheduled or received energy from such resource during such month) and (b) at all other times as an indebtedness of the Electric System payable from Gross Revenue on a parity of lien with Parity Bonds:

(i) costs associated with the Electric System and any facilities or resources for the generation of power and energy or for the conservation, transformation, transmission or distribution of power and energy or telecommunication services (including any common undivided interest therein) hereafter acquired, purchased or constructed by the District and declared by the Commission to be a separate system, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate system but shall exclude costs paid or to be paid from the proceeds of the sale of bonds or other obligations of such separate system, and

(ii) costs associated with the purchase of energy, capacity, capability, reserves, conservation or services under a contract.

“Revenue Fund” means the Electric System Fund of the District.

“Rule” means the SEC’s Rule 15c2 12 under the Securities Exchange Act of 1934.

“RUS Note” means the District’s Promissory Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), in the principal amount of not to exceed \$3,667,855, issued pursuant to Resolution No. 1512.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. or its successor.

“SEC” means the Securities and Exchange Commission.

“Series A Bonds” means the District’s Electric System Revenue and Refunding Bonds, 2010 Series A, issued pursuant to this resolution.

“Series B Bonds” means the District’s Electric System Revenue Bonds, 2010 Series B (Taxable Build America Bonds-Direct Payment), issued pursuant to this resolution.

“Serial Bonds” means Parity Bonds other than Term Bonds.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity in such Fiscal Year as established by the resolution of the District authorizing the issuance of such Term Bonds.

“State” means the State of Washington.

“Term Bonds” means Parity Bonds the payment of principal of which will be made from mandatory sinking fund redemptions prior to their stated maturity.

“2002 Bonds” mean the District’s Electric System Revenue Bonds, 2002, issued pursuant to Resolution No. 1236 and currently outstanding in the principal amount of \$6,090,000.

“2003A Bonds” mean the District’s Electric System Revenue Bonds, 2003 Series A, issued pursuant to Resolution No. 1253 and currently outstanding in the principal amount of \$4,030,000.

“2003B Bonds” mean the District’s Electric System Revenue Bonds, 2003 Series B (Taxable), issued pursuant to Resolution No. 1253 and currently outstanding in the principal amount of \$4,360,000.

Section 2. The Project; Refunding the Refunded Bonds; Compliance with Parity Conditions.

A. *Plan and System.* The Commission hereby authorizes the acquisition, development and construction of the following improvements and betterments the cost of which will be financed or reimbursed with Bond proceeds: automatic meter infrastructure, the Okanogan headquarters building, Enloe Dam improvements, and transmission and other capital improvements of the Electric System (collectively, the “Project”). The District may modify details of the Project as necessary or advisable in the judgment of the Commission. Should any part or provision of the Project be held to be invalid, such holding shall not affect the validity of any other part of the Project. The estimated cost of the Project is \$25,035,000, of which approximately \$25,000,000 will be paid from proceeds of the Bonds. The Commission hereby finds that it is in the best interests of the District and the users of the Electric System that the District issue the Bonds for the purpose of providing funds to finance a portion of the costs of the Project, fund the Reserve Account, and pay the costs of issuing the Bonds.

B. *Refunding the Refunded Bonds.* The Commission hereby finds that it is in the best interest of the District to refund the Refunded Bonds from proceeds of the Series A Bonds.

C. *Compliance with Parity Conditions.* As required by Section 16 of Resolutions No. 1236 and 1253, the Commission hereby finds that on or before the date of issuance of the Bonds there shall be on file with the District a certificate of the Director of Finance demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenue was at least equal to 1.25 times the maximum Annual Debt Service for the Outstanding Parity Bonds and the Bonds.

Section 3. Authorization and Description of Bonds. The District shall issue and sell the Bonds in two series, as follows: (i) a series designated as the “Public Utility District No. 1 of Okanogan County, Washington, Electric System Revenue and Refunding Bonds, 2010 Series A” shall be issued in the aggregate principal amount of \$9,105,000 to finance a portion of the costs of the Project, to refund the Refunded Bonds, to satisfy the Reserve Account Requirement for the Series A Bonds, and pay costs of issuing the Series A Bonds, and (ii) a series designated as the “Public Utility District No. 1 of Okanogan County, Washington, Electric System Revenue Bonds, 2010 Series B (Taxable Build America Bonds-Direct Payment)” in the aggregate principal amount of \$23,355,000 to finance a portion of the costs of the Project, to satisfy the Reserve Account Requirement for the Series B Bonds, and pay costs of issuing the Series B Bonds. The Bonds shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof, provided that no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control.

The Series A Bonds shall be dated their date of initial delivery, shall bear interest payable on June 1, 2011, and on each December 1 and June 1 thereafter, at the rates and maturing on December 1 in each of the years and in the principal amounts as follows:

Series A		
Maturity Year	Principal Amount	Interest Rate
2012	\$ 485,000	2.000%
2013	495,000	2.000
2014	505,000	3.000
2015	1,075,000	3.000
2016	830,000	2.000
2016	275,000	4.000
2017	1,045,000	2.350
2017	100,000	4.000
2018	1,175,000	4.000
2019	1,220,000	4.000
2020	1,270,000	4.000
2021	630,000	4.500

Portions of the above maturity amounts are allocated to paying the respective costs of the Project and of carrying out the Refunding Plan, including a ratable share of proceeds used to pay the costs of issuance of the Bonds, in accordance with the following schedule:

Maturity Years	Refunding Allocation	New Money Allocation	Total
2012	\$ 485,000	--	\$ 485,000
2013	495,000	--	495,000
2014	505,000	--	505,000
2015	510,000	\$ 565,000	1,075,000
2016(1)	525,000	305,000	830,000
2016(2)	--	275,000	275,000
2017(3)	545,000	500,000	1,045,000
2017(4)	--	100,000	100,000
2018	560,000	615,000	1,175,000
2019	580,000	640,000	1,220,000
2020	605,000	665,000	1,270,000
2021	630,000	--	630,000

- (1) December 1, 2016 maturity with interest rate of 2.00%.
- (2) December 1, 2016 maturity with interest rate of 4.00%.
- (3) December 1, 2017 maturity with interest rate of 2.35%.
- (4) December 1, 2017 maturity with interest rate of 4.00%.

The Series B Bonds shall be dated their date of initial delivery, shall bear interest payable on June 1, 2011, and on each December 1 and June 1 thereafter, at the rates and maturing on December 1 in each of the years and in the principal amounts as follows:

Series B Bonds

Maturity Year	Principal Amount	Interest Rate
2011	\$ 280,000	1.095%
2012	545,000	1.395
2013	550,000	1.745
2014	560,000	2.133
2025	3,835,000	5.172
2030	4,800,000	5.796
2035	5,780,000	5.946
2040	7,005,000	6.046

Interest on the Bonds shall be calculated on the basis of a year of twelve 30-day months.

Section 4. Registration, Exchange and Payments.

A. *Registrar/Bond Register.* 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 (the "Bond Registrar"). The Bond 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 Bond 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 Bond Registrar's powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

B. *Registered Ownership.* The District and the Bond Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, and neither the District nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4H hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 4H shall be valid and shall satisfy the liability of the District upon such Bond to the extent of the amount or amounts so paid.

C. *DTC Acceptance/Letter of Representations.* The Bonds shall initially be held in fully immobilized form by DTC acting as depository, in accordance with the provisions of the Letter of Representations between DTC and the District and by this reference made a part hereof.

Neither the District nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the District to the Bond Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes, and all references in this resolution to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in any Bonds.

D. *Use of Depository.*

(i) The Bonds shall be registered initially in the name of Cede & Co., as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the District pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the District to

discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the District may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the District, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the District.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the District determines that it is in the best interest of the beneficial owners of the Bonds that the Bonds be provided in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The District shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds to the Beneficial Owners thereof or their nominees, in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds, together with a written request on behalf of the District to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of to the Beneficial Owners thereof or their nominees, as provided in such written request.

E. *Transfer or Exchange of Registered Ownership; Change in Denominations.* The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

F. *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Bonds.

G. *Registration Covenant.* The District covenants that, until all Bonds have been surrendered and canceled, it will maintain or cause to be maintained a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

H. *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed on the interest payment date to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States designated by the Registered Owner.

Section 5. Redemption Provisions.

A. *Optional Redemption of the Series A Bonds.* The Series A Bonds maturing in the years 2012 through 2020, inclusive, shall be issued without the right or option of the District to redeem those Series A Bonds prior to their stated maturity dates. The District reserves the right and option to redeem the Series A Bonds maturing on December 1, 2021, prior to their stated maturity dates at any time on or after December 1, 2020, as a whole or in part (within one or more maturities selected by the District), at par plus accrued interest to the date fixed for redemption.

B. *Optional Redemption of the Series B Bonds.* The District reserves the right and option to redeem the Series B Bonds prior to their stated maturity dates, as a whole or in part, on any business day, at the "Make-Whole Redemption Price." "Make-Whole Redemption Price" means, with respect to any redemption date for a particular Series B Bond, the greater of (i) the issue price (but not less than 100% of the principal amount of the Series B Bonds to be redeemed); or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Series B Bond to be redeemed (taking into account mandatory sinking fund redemptions on a proportionate basis), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B Bonds are to be redeemed, discounted to the date on which such Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Comparable Treasury Yield" plus 30 basis points, plus accrued and unpaid interest on the Series B Bonds to be redeemed to the redemption date.

The Make-Whole Redemption Price shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the District at the District's expense.

C. *No Extraordinary Optional Redemption of Series A Bonds.* The Series A Bonds are not subject to extraordinary optional redemption.

D. *Extraordinary Optional Redemption of the Series B Bonds.* The District additionally reserves the right and option to redeem the Series B Bonds prior to their stated maturity dates upon the occurrence of an Extraordinary Event, as a whole or in part, at the Extraordinary Optional Redemption Price.

An "Extraordinary Event" will have occurred if (a) Section 54AA or 6431 of the 1986 Code (as such Sections were added by Section 1531 of the ARRA, pertaining to "Build America Bonds") is modified or amended in a manner pursuant to which the District's 35% cash subsidy payment from the United States Treasury Department is reduced or eliminated, or (b) guidance is published by the IRS or U.S. Treasury Department with respect to such Sections that places one or more substantive new conditions on the receipt by the District of such 35% cash subsidy payments and such condition(s) are unacceptable to the District.

"Extraordinary Optional Redemption Price" means the greater of (i) 100% of the principal amount of the Series B Bonds to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Series B Bonds to be redeemed (taking into account any mandatory sinking fund redemptions on a proportionate basis), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B Bonds are to be redeemed, discounted to the date on which the Series B Bonds are to be redeemed, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield plus 100 basis points plus accrued and unpaid interest on the Series B Bonds to be redeemed to the redemption date.

The Extraordinary Optional Redemption Price shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the District at the District's expense.

"Comparable Treasury Yield" means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published Federal Reserve Statistical Release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," (or, if such Statistical Release is no longer published, any publicly available source of similar market data) for the maturity corresponding to the remaining term to maturity of the Series B Bond being redeemed. The Comparable Treasury Yield will be determined as of the date that is no earlier than four business days prior to the date the redemption notice is mailed. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (a) closest to and greater than the remaining term to maturity of the Series B Bond being redeemed; and (b) closest to and less than the remaining term to maturity of the Series B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

E. *Mandatory Redemption of Bonds.* The Series B Bonds maturing in 2025, 2030, 2035 and 2040 are Term Bonds and, if not redeemed under the optional or extraordinary optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be redeemed prior to maturity (or paid at maturity), no later than December 1 in the years and in the sinking fund installment amounts set forth below (to the extent such Series B Bonds have not been previously redeemed or purchased), by payment of the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption.

Series B 2025 Term Bonds

<u>Mandatory Redemption Year</u>	<u>Mandatory Redemption Amount</u>
2021	\$ 690,000
2022	730,000
2023	765,000
2024	805,000
2025*	845,000

* Maturity.

Series B 2030 Term Bonds

<u>Mandatory Redemption Year</u>	<u>Mandatory Redemption Amount</u>
2026	\$ 890,000
2027	925,000
2028	960,000
2029	995,000
2030*	1,030,000

* Maturity.

Series B 2035 Term Bonds

<u>Mandatory Redemption Year</u>	<u>Mandatory Redemption Amount</u>
2031	\$ 1,070,000
2032	1,110,000
2033	1,155,000
2034	1,200,000
2035*	1,245,000

* Maturity.

Series B 2040 Term Bonds

<u>Mandatory Redemption Year</u>	<u>Mandatory Redemption Amount</u>
2036	\$ 1,295,000
2037	1,345,000
2038	1,400,000
2039	1,455,000
2040*	1,510,000

* Final maturity.

Upon the purchase or redemption of Series B Bonds for which mandatory sinking fund installments have been established, other than by reason of the mandatory sinking fund installment redemption described above, an amount equal to the principal amount of the Series B Bonds so purchased or redeemed shall be credited toward each of the mandatory sinking fund installments with respect to such Series B Bonds of such maturity on a proportionate basis. Amounts used to purchase or redeem Series A Bonds that are Term Bonds shall be credited against mandatory sinking fund installments by lot.

F. *Partial Redemption of any Bond.* If less than all of the Bonds of a series are to be redeemed at the option of the District, the District may select the series and maturity or maturities to be redeemed. If the District optionally redeems, purchases or defeases Bonds that are Term Bonds, the principal amount of the Bonds that are Term Bonds so redeemed, purchased or defeased shall be credited against certain scheduled mandatory redemption amounts at the direction of the District. If less than all of the Bonds of a series of any maturity are to be optionally redeemed, the Bonds or portions thereof to be redeemed are to be selected by lot by the Registrar or DTC, as applicable, in accordance with their respective standard procedures. The portion of any Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof and that in selecting portions of such Bonds for redemption, the Registrar will treat each such Bonds as representing that number of such Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000.

If the Series B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series B Bonds shall be allocated among the registered owners of such Series B Bonds as nearly as practicable in proportion to the principal amounts of the Series B Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series B Bonds. This will be calculated based on the following formula:

$$\frac{(\text{principal amount to be redeemed}) \times (\text{principal amount owned by registered owner})}{(\text{principal amount outstanding})}$$

If the Series B Bonds are registered in book-entry only form, and so long as DTC or a successor securities depository is the sole registered owner of the Series B Bonds, partial redemptions will be done in accordance with DTC procedures. If DTC or a successor securities depository is willing and able to make redemption allocations in accordance with proportional provisions, including pro rata pass-through distribution of principal, it is the preference to use such proportional provisions. If proportional provisions are used, they will be done in accordance with DTC's or the successor securities depository's procedures. Alternatively, if the securities depository is not willing or able to make allocations proportionately, redemption allocations will be done by lot.

G. *Redemption Notice.* Notice of any optional or mandatory redemption shall be given by first class mail, postage prepaid, to the registered owners of the Bonds to be redeemed at the addresses appearing on the Bond Register not less than 30 nor more than 60 days prior to such redemption date. Interest on the Bond or Bonds so called for redemption shall cease on the date fixed for such redemption unless such Bond or Bonds are not redeemed upon presentation made pursuant to such call. The requirements of this section shall be deemed

complied with when notice is mailed, whether or not it is actually received by the Registered Owner of any Bond.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

In the case of an optional redemption, the notice may state that the District retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

H. *Effect of Redemption.* Unless the District has revoked a notice of redemption, the District shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

I. *Amendment of Notice Provisions.* The notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

J. *Purchase on Open Market.* The District reserves the right to purchase any of the Bonds at any price deemed reasonable by the District at any time.

Section 6. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the District in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the District evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the District and the Bond Registrar with indemnity satisfactory to both.

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

UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON
PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE [AND REFUNDING] BOND, 2010 [SERIES A/SERIES B
(TAXABLE BUILD AMERICA BONDS-DIRECT PAYMENT)]

INTEREST RATE: ___% MATURITY DATE: CUSIP NO.: _____

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT:

Public Utility District No. 1 of Okanogan County, Washington (the "District"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest from its date of initial delivery, 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 June 1, 2011, and semiannually thereafter on the first days of each succeeding December 1 and June 1. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Blanket Issuer Letter of Representations from the District to The Depository Trust Company. In the event that the bonds of this issue are no longer held in fully immobilized form, interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Bond Registrar"); provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of [\$9,105,000/23,355,000] and designated as "Public Utility District No. 1 of Okanogan County, Washington, Electric System Revenue [and Refunding] Bonds, [Series A/Series B (Taxable Build America Bonds-Direct Payment)] (the "Bonds"), and is issued pursuant to Resolution No. 1513 (the "Bond Resolution") adopted by the Board of Commissioners on September 14, 2010. The Bonds are being issued to finance certain capital improvements to facilities of the District's Electric System [and to refund certain outstanding bonds of the District]. The Bonds are being issued simultaneously with the District's "Electric System Revenue [and Refunding] Bonds, 2010 [Series A/Series B (Taxable Build America Bonds-Direct Payment)] (the

“2010[A/B] Bonds”). Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Resolution.

The Bonds are subject to redemption as provided in the Bond Resolution.

The Bonds are payable solely from the special fund of the District known as the “Electric Revenue Bond Account” (the “Bond Account”) created by Resolution No. 1236 of the District. The District has irrevocably obligated and bound itself to pay into the Bond Account out of Gross Revenue of the System or from such other money as may be provided for such purpose certain amounts necessary to pay and secure the payment of the principal and interest on the Bonds.

The District has pledged to set aside from the Revenue Fund out of the Gross Revenue of the System and to pay into the Bond Account the various amounts required by the Bond Resolution to be paid into and maintained in such account within the times provided by the Bond Resolution.

To the extent more particularly provided by the Bond Resolution, the amounts so pledged to be paid from the Revenue Fund out of the Gross Revenue of the Electric System into the Bond Account shall be a lien and charge thereon equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Electric System Revenue Bonds, 2002, the Electric System Revenue Bonds, 2003 Series A, the Electric System Revenue Bonds, 2003 Series B, the Promissory Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), 2010[A/B] Bonds, and any revenue bonds hereafter issued on a parity with the Bonds, and superior to all other liens and charges of any kind or nature, except the Costs of Maintenance and Operation of the Electric System and payments associated with Resource Obligations in any months in which any power and energy or other goods and services from such resources were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from such resource during such month).

The District has further bound itself to maintain the Electric System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for as long as any of the Bonds are outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenue in an amount that will be equal to at least 1.25 times the Annual Debt Service in such Fiscal Year on all Outstanding Parity Bonds. The District hereby covenants that it will perform all the covenants of this Bond and of the Bond Resolution, and reference is hereby made to the Bond Resolution for a complete statement of such covenants.

The pledge of Gross Revenue of the Electric System and other obligations of the District under the Bond Resolution may be discharged at or prior to the maturity of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

This Bond is a special limited obligation of the District and is not an obligation of the State of Washington or any political subdivision thereof other than the District, and neither the

full faith and credit nor the taxing power of the District or the State of Washington is pledged to the payment of this Bond.

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 has been manually signed by the Bond Registrar.

This Bond is transferable only on the records maintained by the Bond Registrar for that purpose upon the surrender of this Bond by the Registered Owner or his/her duly authorized agent and only if endorsed in the manner provided hereon, and a new fully registered Bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange. Such exchange or transfer shall be without cost to the Registered Owner or transferee. The District and Bond Registrar may deem the person in whose name this Bond is registered to be the absolute owner for the purpose of receiving payment of the principal of and interest on this Bond and for all other purposes.

[The Bonds have been designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code./The District in the Bond Resolution has elected to have Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”), apply to the bonds so that the bonds are treated as “Build America Bonds,” and further to have Subsection 54AA(g) of the Code apply to the bonds so that they are treated as “qualified bonds” pursuant to Section 6431 of the Code.]

The Bond Registrar is not required to issue, register, transfer or exchange any Bonds during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on the interest payment date.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington and resolutions of the District to exist, to have happened, been done and performed precedent to and in the issuance of this Bond have happened, been done and performed and that the issuance of this Bond and the Bonds of this series does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

The District has caused this Bond to be executed by the manual or facsimile signature of the President of the Board of Commissioners and to be attested by the manual or facsimile signature of the Secretary of the Board of Commissioners, and has caused the seal of the District to be impressed or imprinted on this Bond, as of September 28, 2010.

[SEAL]

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

By _____ /s/_____
President of the Board of Commissioners

ATTEST:

/s/
Secretary of the Board of Commissioners

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This is one of the Public Utility District No. 1 of Okanogan County, Washington, Electric System Revenue [and Refunding] Bonds, 2010 [Series A/Series B (Taxable Build America Bonds-Direct Payment)], dated September 28, 2010, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENCY, as
Bond Registrar

By _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

(Please print or typewrite name and address, including zip code, of transferee)

the within Bond and does hereby irrevocably constitute and appoint _____
_____ as attorney-in-fact to transfer
said bond on the books kept for registration thereof with full power of substitution in the
premises.

DATED: _____, _____.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be
guaranteed pursuant to law.

NOTE: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 8. Execution of Bonds. The Bonds shall be executed on behalf of the District with the manual or facsimile signature of the President of the Board, attested by the manual or facsimile signature of the Secretary of the Board, and shall have the seal of the District impressed or imprinted thereon. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the District with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the District by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the District.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 7, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this resolution.

Section 9. Revenue Fund. The District covenants that so long as any of the Parity Bonds are outstanding, it will continue to pay into the Revenue Fund all Gross Revenue (exclusive of earnings on money in any arbitrage rebate account or any bond account, which may be retained in such funds and account or transferred to other funds as required by this resolution or other bond resolution).

A. The amounts in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

(i) to pay Costs of Maintenance and Operation and costs associated with a Resource Obligation (to the extent payable as Costs of Maintenance and Operation);

(ii) to make all payments required to be made into the Bond Account for the payment of accrued interest on the next interest payment date;

(iii) to make all payments required to be made into the Bond Account for the payment of the principal amount of Serial Bonds next coming due, and into the Bond Account for the optional redemption of Bonds or mandatory redemption of Term Bonds;

(iv) to make all payments required to be made into the Reserve Account in the Bond Account, or to meet a reimbursement obligation with respect to any Qualified Insurance or Qualified Letter of Credit or other credit enhancement device, if so required by resolution of the Commission; and

(v) to make all payments required to be made into any special fund or account created to pay or secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the District having a lien upon Gross Revenue and money in the Revenue Fund and Bond Account junior to the lien thereon for the payment of the principal of and interest on the Bonds.

B. The principal of and interest on Resource Obligations, not payable as Costs of Maintenance and Operation, shall be paid on a parity with outstanding Parity Bonds as provided in subsections (ii) and (iii) above.

C. After all of the above payments and credits have been made, amounts remaining in the Revenue Fund may be used for any other lawful purpose of the District.

D. The District may create a Rate Stabilization Account within the Revenue Fund. For purposes of calculating the coverage requirement in Section 18B and the Future Parity Bonds test in Section 19A(2), there may be added to Net Revenues collected in any Fiscal Year any amount withdrawn from the Rate Stabilization Account in such year and deposited into the Revenue Fund and there shall be subtracted from Net Revenue collected in any Fiscal Year any amount withdrawn from the Revenue Fund and deposited into the Rate Stabilization Account in such year.

Section 10. Bond Account. A special fund of the District, known as the "Electric Revenue Bond Account" (the "Bond Account") has been established by Resolution No. 1236 for the purpose of paying and securing the payment of the principal of, premium, if any, and interest on all Parity Bonds, and for the purpose of retiring such bonds prior to maturity. The Bond Account contains two accounts: the Debt Service Account and the Reserve Account. At the option of the District, separate accounts may be created in the Bond Account for the purpose of paying or securing the payment of the Bonds and any Future Parity Bonds. The District hereby obligates itself to pay into the Bond Account out of the Gross Revenue certain fixed amounts, without regard to any fixed proportion of such Gross Revenue, sufficient (together with other available funds on hand into the Bond Account) to pay the principal of, premium, if any, and interest on the outstanding Parity Bonds as the same become due and payable.

A. On or prior to the date upon which an installment of interest or principal falls due the District will pay into the Debt Service Account an amount (together with such other money as is on hand and available in such account) equal to the installment of interest, principal or Sinking Fund Requirement then falling due on all outstanding Parity Bonds.

The District may apply the money paid into the Bond Account for credit to the Debt Service Account for the purpose of retiring Term Bonds by the purchase of such Bonds at a purchase price (including any brokerage charge) not in excess of the principal amount thereof, in which event the principal amount of such Bonds so purchased shall be credited against the next

ensuing Sinking Fund Requirement. If, as of any Term Bond maturity date, the principal amount of Term Bonds retired by purchase or redemption exceeds the cumulative amount required to have been redeemed by sinking fund installments on or before such date, then such excess may be credited against the Sinking Fund Requirement for Term Bonds for the following Fiscal Year, or, if determined by resolution of the Commission, may be credited against the Sinking Fund Requirement for any succeeding Fiscal Year.

B. The District hereby covenants that it will calculate the Reserve Account Requirement as of the issuance of the Bonds, and will, on the date of delivery of the Bonds to the initial purchasers thereof, deposit Bond proceeds in the Reserve Account sufficient to meet the Reserve Account Requirement. The Reserve Account Requirement may also, at the District's option, be recalculated as of the date of the defeasance of any Parity Bonds pursuant to Section 10 or at any other time. Upon the issuance of any series of Parity Bonds, the District shall recalculate the Reserve Account Requirement, which recalculated Reserve Account Requirement shall become effective as of such date of calculation. The Reserve Account Requirement shall be maintained by such additional payments to the Reserve Account as are hereinafter described until such time as all of the Parity Bonds and the interest thereon are retired and paid. Notwithstanding the provisions of this subsection B, the Commission may provide by resolution for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be maintained in the Reserve Account. The face amount of any such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit shall not be cancelable on less than five years' notice. In the event of any cancellation, the Debt Service Reserve Account shall be funded in accordance with the provisions of subsection C hereof providing for payment to the Reserve Account in the event of a deficiency.

Money in the Bond Account may, at the option of the District, be invested as permitted by law in Permitted Investments maturing, or which are retireable at the option of the Registered Owner, prior to the maturity date of the final installment of principal of the bonds payable out of the Bond Account. For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account shall have been invested shall be valued at the market value thereof, plus accrued interest to the date of calculation. The term "market value" shall mean, in the case of securities which are not then currently redeemable at the option of the owner, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the owner. For obligations that mature within six months, the market value shall be the par value thereof. The valuation of the amount in the Reserve Account shall be made by the District as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and may be made on any other date.

If the valuation of the amount in the Reserve Account shall be less than the Reserve Account Requirement as in effect on such date of valuation, the District shall credit to the Reserve Account on or before the 25th day of each of the six succeeding calendar months one-sixth of the amount necessary to make the valuation of the amount in the Reserve Account equal

to 100% of the Reserve Account Requirement. If the valuation of the amount in the Reserve Account shall be greater than 100% of the Reserve Account Requirement, the District may withdraw the interest earned on the amounts credited to the Reserve Account and the difference between the amount in the Reserve Account and the Reserve Account Requirement and deposit it into the Revenue Fund.

C. Money in the Debt Service Account shall be transmitted to the Bond Registrar for the Bonds and any Future Parity Bonds in amounts sufficient to meet the next maturing installments of principal and interest and premiums, if any, at or prior to the time upon which any interest, principal or premium, if any, is to become due. In the event there shall be a deficiency in the Debt Service Account for such purpose, the District shall make up any such deficiency from the Reserve Account by the withdrawal of cash, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in the Reserve Account sufficient to make up any such deficiency. Any reduction in the Reserve Account by reason of any such withdrawal shall be made up from money in the Revenue Fund first available after making the current specified payments into the Debt Service Account and after paying and making necessary provision for the payment of Costs of Maintenance and Operation. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit or Qualified Insurance. Such draw shall be made at such times and under such conditions as the agreement for Qualified Letter of Credit or Qualified Insurance shall provide. The District shall pay any reimbursement obligation as a result of a draw under a Qualified Letter of Credit or Qualified Insurance from the Revenue Fund.

Whenever the assets of the Bond Account, including the Reserve Account, are sufficient to provide money to pay the Bonds and any Future Parity Bonds then outstanding, no payments need be made into the Bond Account during any period in which such excess continues.

Section 11. Bonds Deemed to Be No Longer Outstanding. In the event that the District, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Account or in another special account, held in trust by a trustee, cash or noncallable government obligations, as such obligations are now or hereafter defined in RCW 39.53, or any combination of cash and/or noncallable government obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such 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 Bond Account for the payment of the principal of and interest on such Bond. The Registered Owner of a 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 such Bond shall be deemed to be not outstanding under this resolution.

The trustee shall give written notice of defeasance to the owners of all Bonds so provided for within 30 days of the closing date to the MSRB in accordance with Section 29.

Section 12. Construction Account. There is hereby created a special account of the District within the Revenue Fund to be known as the "Construction Account, 2010" (the

“Construction Account”). Money in the Construction Account shall be used for the purpose of paying costs of the Project or other improvements to the Electric System, reimbursing the District for prior expenditures to pay costs of the Project, and paying costs of issuing the Bonds. Bond proceeds deposited in the Construction Account and not immediately needed to pay the costs of the Project and costs incidental thereto may be temporarily invested in Permitted Investments that will mature prior to the date on which the money so invested shall be needed. All Bond proceeds and all interest earned and income or profits derived by virtue of such investments shall remain in the Construction Account and be used for the acquisition, installation and construction of such projects or other improvements to the System. Any Bond proceeds and investment earnings thereon not required for such purposes shall be deposited in the Bond Account and used to redeem outstanding Bonds at the earliest date on which such Bonds shall mature or be callable.

Section 13. Disposition of Bond Proceeds. The proceeds of the Bonds shall be deposited as follows:

A. A portion of the proceeds of the Series A Bonds shall be used to refund the Refunded Bonds.

B. The amount required to fund the Reserve Account shall be deposited into such account.

C. The balance of the proceeds of the Series A Bonds and Series B Bonds shall be used to finance the Project and to pay costs of issuing the Bonds.

Section 14. Refunding of the Refunded Bonds.

A. *Appointment of Refunding Trustee.* U.S. Bank National Association of Seattle, Washington, is appointed Refunding Trustee.

B. *Use of Series A Bond Proceeds; Acquisition of Acquired Obligations.* A sufficient amount of the proceeds of the sale of the Series A Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the District relating to the Refunded Bonds under Resolution No. 1236 by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee’s simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Exhibit B attached to the Refunding Trust Agreement between the District and the Refunding Trustee, but are subject to substitution as set forth below. Any Series A Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the Series A Bonds shall be returned to the District at the time of delivery of the Series A Bonds to the initial purchaser thereof and deposited in the Project Fund to pay costs of the Project.

C. *Substitution of Acquired Obligations.* Prior to the purchase of any Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute other direct, noncallable obligations of the United States of America (“Substitute Obligations”) for any of the Acquired Obligations and to use any savings created thereby for any lawful District purpose if, (a) in the opinion of the District’s bond counsel, the interest on the Series A Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute therefor cash or Substitute Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Series A Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue dates of the Series A Bonds and the Refunded Bonds, as applicable, and that the District obtain, at its expense: (1) a verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from bond counsel to the District, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Series A Bonds, will not cause the interest on the Series A Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Series A Bonds. Any surplus money resulting from the sale, transfer, other disposition, or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the District to be used for any lawful District purpose.

D. *Administration of Refunding Plan.* The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this resolution. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of Resolution No. 1236, this resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the Series A Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Series A Bonds, including bond printing, verification fees, bond counsel’s fees, and other related expenses, shall be paid out of the proceeds of the Series A Bonds.

E. *Authorization for Refunding Trust Agreement.* To carry out the Refunding Plan provided for by this resolution, the General Manager, Director of Finance/Auditor, or Treasurer of the District is authorized and directed to execute and deliver to the Refunding

Trustee a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the General Manager, Director of Finance/Auditor, or Treasurer of the District is authorized to make such changes therein that do not change the substance and purpose thereof or that assure that the escrow provided therein and the Series A Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Series A Bonds from gross income for federal income tax purposes.

Section 15. Call for Redemption of the Refunded Bonds. The District calls for redemption on June 1, 2012, all of the Refunded Bonds at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Series A Bonds to the initial purchaser thereof. The date on which the Refunded Bonds are herein called for redemption is the first date on which those bonds may be called.

The proper District officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to Resolution No. 1236 in order to effect the redemption prior to their maturity of the Refunded Bonds.

Section 16. District Findings with Respect to Refunding. The Commission finds and determines that the issuance and sale of the Series A Bonds at this time will effect a savings to the District and is in the best interest of the District and its ratepayers and in the public interest. In making such finding and determination, the Commission has given consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Series A Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the Series A Bonds and other money of the District used in the Refunding Plan pending payment and redemption of the Refunded Bonds.

The Commission further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with Section 14 of this resolution will discharge and satisfy the obligations of the District under Resolution No. 1236 with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants, and agreements of the District therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such resolution immediately upon the deposit of such money with the Refunding Trustee.

Section 17. Security for Parity Bonds. All Parity Bonds are special limited obligations of the District payable from and secured solely by Net Revenue, and by other money and assets specifically pledged hereunder for the payment thereof. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds: (i) the Net Revenue and (ii) the money and investments, if any, credited to the Revenue Fund, the Bond Account, and the income therefrom. The Net Revenue and other money hereby pledged shall be subject immediately to the lien of this pledge without any physical delivery or further act, and the lien of this pledge shall be binding as against all parties having claims of any kind in tort, contract or otherwise against the District regardless of whether such parties have notice thereof.

The pledge of the Gross Revenue to pay Parity Bonds is hereby declared to be a prior lien and charge on the Gross Revenue superior to all other liens and charges of any kind or nature, subject to prior application for the payment of Costs of Maintenance and Operation and payments associated with Resource Obligations in any month in which any power and energy or other goods and services from such resources were made available to the System during such month (regardless of whether or not the Electric System actually scheduled or received energy from such resource during such month). At all other times such Resource Obligation shall be an obligation payable from Gross Revenue on a parity of lien with any Parity Bonds.

Parity Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the District or of the State, or of any political subdivision of the State, not specifically pledged thereto by this resolution.

Section 18. General Covenants. The District covenants with the owners of the Parity Bonds as follows:

A. The District shall establish, maintain and collect rates or charges for electric energy sold through the ownership or operation of the Electric System, and all other commodities, services and facilities sold, furnished or supplied by the District in connection with the ownership or operation of the Electric System that shall be fair and nondiscriminatory and adequate to provide Gross Revenue sufficient for the payment of the principal of and interest on all outstanding Parity Bonds and all payments that the District is obligated to set aside in the Bond Account, and for the proper operation and maintenance of the Electric System, and all necessary repairs, replacements and renewals thereof, the working capital necessary for the operation thereof, and for the payment of all amounts that the District may now or hereafter become obligated to pay from the Gross Revenue.

B. Such rates or charges shall be sufficient to provide Net Revenue in any Fiscal Year hereafter in an amount equal to at least 1.25 times the Annual Debt Service in such Fiscal Year on all outstanding Parity Bonds (the "Coverage Requirement"). The failure to collect Net Revenue in any Fiscal Year sufficient to comply with this covenant shall not constitute an Event of Default if the District, before the 90th day of the following Fiscal Year, both (1) employs a Professional Utility Consultant to recommend changes in the District's rates that are estimated to produce Gross Revenue sufficient (once the rates recommended by the Professional Utility Consultant have been imposed by the District) to meet the requirements of this section; and (2) imposes rates at least as high as those recommended by such Professional Utility Consultant at the time or times so recommended.

C. The District will maintain the Electric System in good repair, working order and condition, and will make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted, and the District will at all times operate the Electric System and the business in connection therewith in an efficient manner and at reasonable cost.

D. The District will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Electric System properties, or permit the sale, mortgage, lease or other disposition thereof, except as hereinafter provided in this subsection D:

(1) The District may sell, lease or otherwise dispose of all or substantially all of the Electric System, provided that simultaneously with such sale, lease or other disposition, the District shall cause all of the Bonds to be, or deemed to be, no longer outstanding.

(2) Except as provided in the last paragraph of this subsection (2), the District will not sell, mortgage, lease or otherwise dispose of any part of the System with a book value in excess of 5% of the book value of the Electric System in service unless prior to such sale, mortgage, lease or other disposition:

(i) there shall have been filed with the District a certificate of a Professional Utility Consultant stating that such sale, mortgage, lease or other disposition will not impair the ability of the District to comply with the covenants set forth in subsections A and B; or

(ii) provision is made for the payment, redemption, retirement or defeasance of a principal amount of Parity Bonds equal to the greater of the following amounts:

(A) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such bonds then outstanding less the amount of cash and investments in the Bond Account) that the Gross Revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bear to the total Gross Revenues for such period; or

(B) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

The District may dispose of any part of the Electric System that shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Electric System, or no longer necessary, material to or useful in such operation. The proceeds of any such sale or disposition pursuant to this section shall be paid into the Bond Account for credit to the Reserve Account to the extent of any deficiency in such Reserve Account, and the balance of such proceeds, if any, shall be deposited in the Revenue Fund. This covenant shall not apply to sales of output of the Electric System.

E. The District will keep the works, plants, properties and facilities comprising the Electric System insured, and will carry such other insurance, with responsible insurers, with policies payable to the District, against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed necessary and advisable by the Commission,

institute or continue a self-insurance program with respect to any or all of the aforementioned risks.

F. The District shall keep proper books of account in accordance with the rules and regulations prescribed by the Division of Municipal Corporations of the State Auditor's Office, or other State department or agency succeeding to such duties of the State Auditor's office.

G. Except as permitted or required by law, the District will not furnish or supply or permit the furnishing or supplying of electric energy in connection with the operation of the Electric System, free of charge to any person, firm or corporation, public or private, so long as any Bonds are outstanding and unpaid; provided, that, to the extent permitted by law, the District may lend money and may provide commodities, services or facilities free of charge or at a reduced charge in connection with a plan of conservation of electric energy adopted by the Commission or to aid the poor, infirm or elderly.

Section 19. Future Parity Bonds. The District covenants with the owner of each of the Bonds for as long as any of the same remain outstanding as follows:

A. It will not issue any bonds or other obligations on a parity of lien with the Bonds, except, upon the conditions hereinafter provided, the District reserves the right to issue Future Parity Bonds and to incur Resource Obligations and obligations under reimbursement agreements. Future Parity Bonds may be issued for any lawful purpose of the District, including but not limited to, acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, replacements or repairs and capital improvements to the System.

The District covenants that Future Parity Bonds shall be issued only upon compliance with the following conditions:

(1) That at the times of the issuance of such Future Parity Bonds there is no deficiency in the Bond Account or in any of the accounts therein.

(2) That the annual average of the Net Revenue of the Electric System for any 12 consecutive months out of the 24 months next preceding the issuance of the Future Parity Bonds will equal at least 1.25 times the maximum Annual Debt Service required to be paid in any Fiscal Year thereafter on all Parity Bonds.

For the purposes of this subparagraph (2), the "Net Revenue of the Electric System" may be adjusted as follows:

(i) To include a full 12 months of Net Revenue from any customers added during the 12-month period being considered.

(ii) To include the annual estimated Net Revenue to be received from existing dwelling units and commercial establishments as a result of any additions, betterments and improvements to and extensions of the Electric System to be acquired, constructed or installed by the District from the proceeds of the Future Parity Bonds to be issued.

(iii) To include the additional Net Revenue that would have been received by the District if any rate change adopted prior to the delivery of the Future Parity Bonds, but subsequent to the beginning of the 12-month period being considered, had been in force during the full 12-month period.

(3) That at or prior to the time of the issuance of such Future Parity Bonds the District shall obtain and have on file a certificate from a Professional Utility Consultant which shall certify full compliance with condition (2) of this subsection A, and such certificate shall be conclusive of compliance with the conditions required therein. Such certificate shall have attached thereto financial statements of the District for the period upon which the same is based and audits by the Division of Municipal Corporations of the State Auditor's Office or from an independent certified public accountant for as many fiscal years, if any, within such period as such audits have been made and completed.

If the requirements of condition 2 of this subsection A can be met without making any adjustment pursuant to subparagraphs (i) and (ii) above, such certificate may, at the District's option, be provided by the District's Director of Finance or Treasurer.

(4) That the resolution authorizing the issuance of the Future Parity Bonds shall require that there shall be paid into the Reserve Account in the Bond Account either:

(i) at the time of issuance of such Future Parity Bonds from the proceeds of such Future Parity Bonds, or

(ii) at the time of issuance of such Future Parity Bonds, at the election of the District, out of any other funds of the District available for such purpose and paid into the Reserve Account, an amount such that the balance in the Reserve Account will (together with funds in the account or to be paid therein pursuant to any resolution authorizing other Parity Bonds) equal the Reserve Account Requirement. The amounts required to be deposited in the Reserve Account shall be maintained and recalculated in the same fashion as provided in Section 10B.

B. In the event that any Future Parity Bonds are issued for the sole purpose of exchanging with or providing funds to purchase or refund or redeem and retire at or prior to their maturity any or all outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds and retirement of outstanding bonds and such refunding Future Parity Bonds will not require a greater amount (except as necessary to round out maturities to the nearest \$5,000) to be paid in any Fiscal Year thereafter as Annual Debt Service than would have been required to be paid in the same Fiscal Year for Annual Debt Service on the bonds being refunded, then subsections A(2) and A(3) need not be complied with to permit such refunding Future Parity Bonds to be issued, although the provisions of subsections A(1) and A(4) must still be complied with.

C. Nothing in this resolution shall prevent the District from entering into contracts to purchase energy, capacity, capability, reserves, conservation or services or from authorizing and issuing bonds, notes, certificates or other obligations or evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the generation

of power and energy, or for the conservation, transformation or transmission of power and energy, and any incidental properties to be constructed or acquired in connection therewith, which facilities or resources shall be a separate system and which contractual obligations, bonds or other obligations or evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate system. Costs associated with any such contracts or separate system may be declared by resolution of the Commission to be a Resource Obligation of the Electric System provided that the following requirements shall be met at the time of such declaration:

(1) No Event of Default with respect to any Parity Bonds or Resource Obligations has occurred and is continuing.

(2) There shall have been filed with the District a certificate of the Professional Utility Consultant stating that the additional source of power and energy or conservation from such Resource Obligation is consistent with sound utility power supply planning.

(3) There shall have been filed with the District a report of the Professional Utility Consultant stating that estimated annual Net Revenue for the second full Fiscal Year after the date of initial operation of the facilities, costs of which are to be financed as a Resource Obligation, or after the date of first delivery of energy, capacity, reserves or services pursuant to a contract, costs of which are declared to be a Resource Obligation, as the case may be, shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year. In estimating Net Revenue, the Professional Utility Consultant shall base such estimate on factors the Professional Utility Consultant deems to be reasonable and shall treat the costs of the Resource Obligation as Costs of Maintenance and Operation.

(4) In the event that the Resource Obligation is a contract to purchase energy, capacity, reserves or services, there shall have been filed with the District opinions of counsel to all other parties to the contract which opinions state that each such party to such contract has all requisite right, power and authority to execute and deliver such contract and to perform its obligations thereunder and that such contract constitutes a legally valid and binding obligation of such party thereto.

(5) The Resource Obligations shall not be subject to acceleration if an event of default has occurred.

D. (1) In the event that the District elects to meet the requirements of Section 10B hereof with respect to the Reserve Account as to any issue of Bonds through the use of a Qualified Letter of Credit or Qualified Insurance, the District may contract with the person providing such Qualified Letter of Credit or Qualified Insurance that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with payments into the Reserve Account to secure the Bonds.

(2) In the event that the District elects additionally to secure any issue of variable rate bonds through the use of a letter of credit, insurance or other credit enhancement device, the District may contract with the entity providing such letter of credit, insurance or other

credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of Future Parity Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Future Parity Bonds could be issued in compliance with the provisions of Section 19.

Section 20. Restrictions on Contracting of Obligations Secured by Revenues.

A. The District will not hereafter issue any bonds or other obligations or create any additional indebtedness which will have a lien and charge on the Gross Revenue and funds of the Electric System prior to the lien and charge thereon established by this resolution.

B. The District may issue bonds, notes, or other obligations payable from and secured by a lien on the Gross Revenue and funds of the Electric System that is junior to the lien on such Gross Revenue.

Section 21. Tax Covenants.

A. *Preservation of Tax Exemption for Interest on Series A Bonds.* The District covenants that it will take all actions necessary to prevent interest on the Series A Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Series A Bonds or other funds of the District treated as proceeds of the Series A Bonds at any time during the term of the Series A Bonds which will cause interest on the Series A Bonds to be included in gross income for federal income tax purposes.

B. *Designation of Series A Bonds as "Qualified Tax-Exempt Obligations."* The District has determined and certifies that (a) the Series A Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District, or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Series A Bonds are issued will not exceed \$30,000,000; and (c) the amount of tax-exempt obligations, including the Series A Bonds, designated by the District as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series A Bonds are issued does not exceed \$30,000,000. The District designates the Series A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

C. *Election to Treat Series B Bonds as "Build America Bonds."* The District hereby irrevocably elects to have Section 54AA of the Code apply to the Series B Bonds so that the Series B Bonds are treated as "Build America Bonds," and further to have Subsection 54AA(g) of the Code apply to the Series B Bonds so that the Series B Bonds are treated as "qualified bonds" with respect to which the District will be allowed a credit payable by the United States Treasury to the District pursuant to Section 6431 of the Code in an amount

equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The District authorizes the General Manager, Director of Finance/Auditor, or Treasurer of the District to take such actions as are necessary or appropriate for the District to receive from the United States Treasury the applicable federal credit payments in respect of the Series B Bonds, including but not limited to the timely filing with the Internal Revenue Service of Form 8038-CP – “Return for Credit Payments to Issuers of Qualified Bonds” and entering into a calculation agency agreement relating to such payments.

Section 22. Events of Default. The District hereby covenants with the owners of the Bonds that the following shall constitute “Events of Default”:

(1) If default shall be made in the punctual payment of the principal of and premium, if any, on any of the Parity Bonds when the same shall become due, either at maturity or by proceedings for mandatory redemption or otherwise;

(2) If default shall be made in the punctual payment of any installment of interest on any Parity Bond;

(3) If the District shall default in the observance and performance of any other of the covenants on the part of the District contained in this resolution and such default or defaults shall have continued for a period 90 days after the District shall have received from the Bondowners Trustee or from the Registered Owners of not less than 20% in principal amount of Parity Bonds outstanding, a written notice specifying and demanding the cure of such default;

(4) If an order, judgment or decree shall be entered by any court of competent jurisdiction: (a) appointing a receiver, trustee or liquidator for the District or the whole or any substantial part of the Electric System; (b) approving a petition filed against the District seeking the bankruptcy, arrangement or reorganization of the District under any applicable law of the United States or the State; or (c) assuming custody or control of the District or of the whole or any substantial part of the Electric System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within 60 days from the date of the entry of such order, judgment or decree; or

(5) If the District shall: (a) admit in writing its inability to pay its debts generally as they become due; (b) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law; (c) make an assignment for the benefit of its creditors; (d) consent to the appointment of a receiver of the whole or any substantial part of the Electric System; or (e) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the District or of the whole or any substantial part of the Electric System.

Section 23. Bondowners’ Trustee. So long as such Event of Default has not been remedied, a bondowners’ trustee (the “Bondowners’ Trustee”) may be appointed by the Registered Owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the

Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the District. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Registered Owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Bonds or by their attorneys in fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the District a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the District, the Bondowners' Trustee and the owners of the Parity Bonds shall be restored to the same rights and position they would have held if no Event of Default had occurred.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

Section 24. Suits at Law or in Equity. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the Registered Owners of not less than 25% in principal amount of the Parity Bonds outstanding shall, take such steps and institute such suits or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Parity Bonds, to collect any amounts due and owing to or from the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution or in any of the Parity Bonds.

Nothing contained in this section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the remedy of acceleration is expressly denied to the owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of this resolution may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the Registered Owners of those Parity Bonds, subject to the provisions of this resolution. The respective owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of those Parity Bonds, with authority to

institute any such suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the District is a party.

Section 25. Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this resolution shall be applied in the following order of priority:

(1) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

(2) second, to the payment to the persons entitled thereto first of required interest and then of unpaid principal amounts on any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

Section 26. Duties and Obligation of Bondowners' Trustee. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this resolution, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this resolution.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

Section 27. Suits by Individual Bondowners Restricted. Neither the Registered Owner nor the Beneficial Owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

- (1) an Event of Default has happened and is continuing; and
- (2) a Bondowners' Trustee has been appointed; and
- (3) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and
- (4) the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and
- (5) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and
- (6) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No Registered Owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the District to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

Section 28. Amendments.

A. The Commission may adopt a resolution or resolutions supplemental hereof, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the District in this resolution, other covenants and agreements thereafter to be observed, that shall not adversely affect the interests of the owners of any Parity Bonds, or to surrender any right or power herein reserved.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or

any resolution authorizing Future Parity Bonds in regard to matters or questions arising under such resolutions as the Commission may deem necessary or desirable and not inconsistent with such resolutions and that shall not adversely affect, in any material respect, the interest of the owners of Parity Bonds.

Any such supplemental resolution may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection B of this section.

B. With the consent of the owners of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, the Commission may pass a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

(1) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected; or

(2) Reduce the percentage of bondowners required to approve any such supplemental resolution, without the consent of owners of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of bondowners under this subsection B to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

C. Upon the adoption of any supplemental resolution pursuant to the provisions of this section, this resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this resolution and all owners of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes.

Section 29. Undertaking to Provide Ongoing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the District makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

A. *Undertaking to Provide Annual Financial Information and Notice of Material Events.* The District undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(ii) Timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes; and

(iii) Timely notice of a failure by the District to provide required annual financial information on or before the date specified in subsection (b) of this section.

B. *Type of Annual Financial Information Undertaken to be Provided.* The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) audited financial statements of the Electric System prepared (except as noted in the financial statements) in accordance with generally accepted accounting principles applicable to government entities, and in accordance with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and substantially in accordance with the system prescribed by the Federal Energy Regulatory Commission; provided, that if the Electric System’s audited financial statements are not yet available, the District shall provide unaudited financial statement in substantially the same format, and audited financial statements when they become available; (2) the outstanding long term indebtedness of the Electric System and any system of the District that provides power or capacity to the Electric System; (3) Electric System retail customers, energy sales, and revenues substantially in the form of the table ‘Historical Retail Customers, Energy Sales and Revenues from Sales’ in the Official Statement for the Bonds; and (4) Electric System operating results and debt service coverage on the outstanding Parity Bonds substantially in the form of the table “Historical Operating Results” in the Official Statement for the Bonds;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the District (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the District’s fiscal year ending December 31, 2010; and

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

C. *Amendment of Undertaking.* The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any

broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by the Rule.

The District will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

D. *Beneficiaries.* The Undertaking evidenced by this section shall inure to the benefit of the District and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

E. *Termination of Undertaking.* The District's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the District's obligations under this Undertaking shall terminate if those provisions of the Rule which require the District to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the District, and the District provides timely notice of such termination to the MSRB.

F. *Remedy for Failure to Comply with Undertaking.* As soon as practicable after the District learns of any failure to comply with the Undertaking, the District will proceed with due diligence to cause such noncompliance to be corrected. No failure by the District or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the District or other obligated person to comply with the Undertaking.

G. *Designation of Official Responsible to Administer Undertaking.* The Director of Finance/Auditor or Treasurer of the District (or such other officer of the District who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the District in respect of the Bonds set forth in this section and in accordance with the Rule, including, without limitation, the following actions:

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

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

(iii) Determining whether any person other than the District is an "obligated person" within the meaning of the Rule with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

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

(v) Effecting any necessary amendment of the Undertaking.

Section 30. Sale of Bonds. The Commission finds that the purchase contract dated September 14, 2010, that has been distributed to the Commission by Seattle-Northwest Securities Corporation (the "Underwriter") is reasonable and that it is in the best interest of the District that the Bonds be sold to the Underwriter on the conditions set forth in the purchase contract. The District accepts the purchase contract and authorizes the President of the Commission, the District's General Manager, Director of Finance, Treasurer, or Auditor to execute the purchase contract and deliver it to the Underwriter. The Bonds shall be issued and delivered to the Underwriter upon payment of the purchase price specified in the purchase contract.

Section 31. Official Statement. The District approves the preliminary official statement presented to the Commission and authorizes the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. Pursuant to the Rule, the District deems the preliminary official statement as final as of its date except for the omission of information dependent upon the pricing of the Bonds and the completion of the purchase contract. The District agrees to cooperate with the Underwriter to deliver or cause to be delivered, within seven business days from the date of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of a final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule and the rules of the MSRB. The District authorizes the Underwriter to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The District General Manager and the Financial Director are hereby authorized to review and approve on behalf of the District the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them.

Section 32. 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 Bonds.

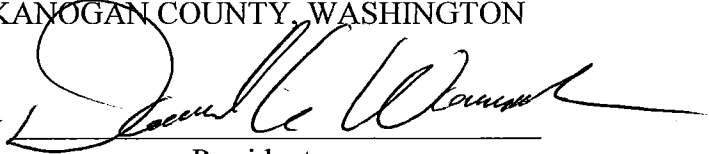
Section 33. General Authorization. The District's General Manager, Director of Finance, Treasurer, Auditor and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, 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 34. Effective Date. This resolution shall take effect immediately after its adoption.

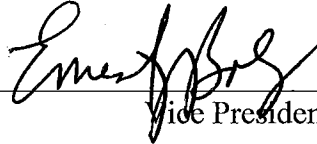
ADOPTED AND APPROVED by the Board of Commissioners of Public Utility District
No. 1 of Okanogan County, Washington, at a meeting this 14th day of September, 2010.

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

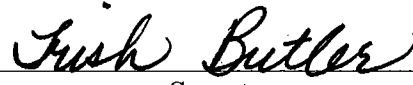
By



President



Vice President



Secretary

CERTIFICATE

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

1. That the attached is a true and correct copy of Resolution No. 1513 of the Commission, duly adopted at a meeting thereof held on September 14, 2010.

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 14 day of September, 2010.


Secretary