

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

RESOLUTION NO.1730

A RESOLUTION of Public Utility District No. 1 of Okanogan County, Washington, authorizing the issuance of one or more series of Electric System Revenue and Refunding Bonds, Series 2020 in the aggregate principal amount of not to exceed \$40,000,000 to finance improvements to the District's Electric System and to repay certain loans and 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 Promissory Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), in the principal amount of \$2,566,243, issued pursuant to Resolution No. 1512 (the "RUS Note"); and

WHEREAS, the District now has outstanding its Electric System Revenue and Refunding Bonds, 2010 Series A, in the aggregate principal amount of \$1,900,000 (the "2010 Series A Bonds"), and its Electric System Revenue Bonds, 2010 Series B (Taxable Build America Bonds – Direct Payment) (the "2010 Series B Bonds," and together with the "2010 Series A Bonds, the "2010 Bonds"), in the aggregate principal amount of \$21,420,000, each issued pursuant to Resolution No. 1513; and

WHEREAS, the District now has outstanding its Junior Lien Electric Revenue Refunding Bond, Series 2016, in the principal amount of \$2,327,405, issued pursuant to Resolution No. 1628 (the "2016 Bond"); and

WHEREAS, the District has established lines of credit evidenced by the District's junior lien Electric System Revenue Anticipation Note, 2018A and Electric System Revenue Anticipation Note, 2018B (Taxable), each in the principal amount of not to exceed \$10,000,000 (together, the "Notes"); and

WHEREAS, Resolution No. 1652 provides that the District may prepay the Notes in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment; and

WHEREAS, the District can realize debt service savings by issuing refunding bonds (the "Refunding Bonds") to repay the RUS Note; 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, in accordance with Section 10 of Resolution No. 1512 authorizing the issuance of the RUS Note and Section 19 of Resolution No. 1513 authorizing the issuance of the 2010 Bonds, the bonds authorized herein may be issued on a parity of lien with the outstanding RUS Note and 2010 Bonds; and

WHEREAS, the Commission finds that the issuance of the bonds authorized herein for the purposes of paying a portion of the cost of the acquisitions and improvements to the Electric System, repaying the RUS Note and the Notes, if interest rates are favorable, is in the best interests of the District and its ratepayers;

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 owners of Parity Bond at the time outstanding, 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 2010 Series B

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 this amendment.

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

“Bond Register” means the books or records maintained by the Bond Registrar containing the name and mailing address of the Owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

“Bond Registrar” means the fiscal agent of the State of Washington, currently U.S. Bank National Association, Seattle, Washington, 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.

“Bondowner” or “Owner” or “Bondholder” means the registered owner of any Bond or Parity Bond, as the case may be.

“Bonds” means the Electric System Revenue and Refunding Bonds, Series 2020 of the District authorized to be issued pursuant to Section 3.

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

“Certificate of Determination” means the certificate of the Designated Representative with the final terms of the Bonds.

“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.

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

“Costs of Maintenance and Operation” means all ordinary operating expenses, 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.

“Designated Representative” means the officer of the District appointed pursuant to Section 30 of this resolution to serve as the District’s designated representative in accordance with RCW 39.46.040(2).

“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 Revenues 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 20.

“Final Terms” means the terms and conditions for the sale of a series of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

“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” means direct and general obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and other obligations as defined in Chapter 39.53 RCW, as amended, or any successor statute.

“Gross Revenues” 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).

“Junior Lien Bond Account” means the “Junior Lien Bond Account” created by Section 9 of Resolution No. 1628.

“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, Inc., a Delaware corporation, or its comparably recognized business successor.

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

“Net Revenue” means the excess of Gross Revenues 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.

“Notes” means, together, the District’s junior lien Electric System Revenue Anticipation Note, 2018A and Electric System Revenue Anticipation Note, 2018B (Taxable), each issued pursuant to Resolution No. 1652 and in the principal amount of not to exceed \$10,000,000.

“Outstanding Parity Bonds” means the 2010 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 capital improvements to the Electric System approved by the Board 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.

“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 of that name created in the Bond Account.

“Reserve Account Requirement” means with respect to all outstanding Parity Bonds secured by the Reserve Account 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 Revenues 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 and Exchange Act of 1934, as the same may be amended from time to time.

“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 S&P Global Ratings, or its comparably recognized business successor.

“SEC” means the Securities and Exchange Commission.

“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.

“2010 Bonds” means, together, the 2010 Series A Bonds and the 2010 Series B Bonds.

“2010 Series A Bonds” means the District’s Electric System Revenue and Refunding Bonds, 2010 Series A, issued pursuant to Resolution No. 1513 and currently outstanding in the principal amount of \$1,900,000.

“2010 Series B Bonds” means the District’s Electric System Revenue Bonds, 2010 Series B (Taxable Build America Bonds – Direct Payment), issued pursuant to Resolution No. 1513 and currently outstanding in the principal amount of \$21,420,000.

“2016 Bond” means the District’s Junior Lien Electric Revenue Refunding Bond, 2016, issued pursuant to Resolution No. 1628 and currently outstanding in the principal amount of \$2,327,405.

“Underwriter” means KeyBanc Capital Markets Inc., or such underwriter(s) as selected by the Designated Representative to serve as underwriter for the Bonds.

Section 2. Findings and Determinations.

A. *Best Interest of the District.* 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 reimburse and finance the cost of capital improvements to the Electric System, and repay the RUS Note and the Notes.

B. *Plan and System.* The Commission hereby adopts, as a plan and system, improvements and replacements to the District’s electric utility system and other capital improvements (the “Project”). The total cost of such improvements is approximately \$37,500,000 which will be provided or reimbursed out of the proceeds of sale of the Bonds.

C. *Gross Revenues Sufficient.* The Commission hereby further finds that the Gross Revenues to be derived by the District from the operation of the Electric System at the rates to be charged for the electricity furnished thereby will be sufficient in the judgment of the

Commission to meet all Costs of Maintenance and Operation, and to make all necessary repairs, replacements and renewals thereof, and to permit the setting aside out of such Gross Revenues into the Bond Account of such amounts as may be required to pay the principal of and interest on the Bonds and the Outstanding Parity Bonds as the same become due and payable.

D. *Compliance with Parity Conditions.* In accordance with the provisions of Resolution Nos. 1512 and 1513 (the “Outstanding Parity Bond Resolutions”) authorizing the issuance of the RUS Note and the 2010 Bonds, respectively, which permit the issuance of Future Parity Bonds upon compliance with the conditions set forth therein (the “Parity Conditions”), the Commission hereby finds and determines that this resolution contains the provisions required by the Outstanding Parity Bond Resolutions to be contained herein and further finds as follows:

(i) The Bonds will be issued for lawful purposes of the District related to the System.

(ii) At the time of issuance of the Bonds, there will be no deficiency in the Bond Account or in any of the accounts therein.

(iii) On or before the date of issuance of the Bonds there shall be on file with the District either (i) a certificate of the Director of Accounting, Finance and Administration 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, or (ii) if the 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, a certificate showing that the issuance of the 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 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.

(iv) The requirements of Section 10 of Resolution No. 1512 and Section 19 of Resolution No. 1513 are or will be met prior to the issuance of the Bonds.

The Parity Conditions having been complied with in connection with the issuance of the Bonds, the pledge contained herein of Gross Revenues to pay and secure the payment of the Bonds shall constitute a lien and charge upon such revenue equal in rank with the lien and charge upon the Gross Revenues to pay and secure the payment of the outstanding Parity Bonds.

Section 3. Authorization and Description of Bonds. For the purpose of providing the funds for financing or reimbursing the District for the Project, to repay the RUS Note and the Notes, to fund the Reserve Account, if necessary, and pay costs of issuance, there are hereby authorized to be issued Electric System Revenue and Refunding Bonds, Series 2020 in the aggregate principal amount of not to exceed \$40,000,000 (the “Bonds”) of the District. The Bonds shall be issued in one or more series, shall be in the denomination of \$5,000 each or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purpose of

identification; shall be dated such date, bear interest at the rates per annum, and be payable in the amounts and dates as shall be determined pursuant to Section 30 hereof.

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 agent of the State of Washington, as registrar, authenticating agent, paying agent and transfer agent (collectively, 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, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof 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 Bond may be transferred as herein provided. All such payments made as described in Section 4H shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

C. *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the District has heretofore executed and delivered to DTC a Letter of Representations.

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 (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) 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 (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) 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 hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the District on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

D. *Use of Depository.*

(i) The Bonds shall be registered initially in the name of "CEDE & Co.," as nominee of DTC, with one Bond maturing on each of the maturity dates for each series of the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. 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 hereafter 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 such substitute depository, or their nominees, as the case may be, 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 such owners be able to obtain such bonds in the form of bond certificates, 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, to issue Bonds as herein provided 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 such persons as are requested in such written request.

E. *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond 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 therefor, 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 cancelled 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 register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

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 Bonds.

G. *Registration Covenant.* The District covenants that, until all Bonds have been surrendered and cancelled, it will maintain 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* The principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as 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 to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

Section 5. Redemption Provisions.

A. *Optional Redemption of the Bonds.* The Designated Representative may designate certain maturities of the Bonds as being subject to redemption at the option of the District prior to their respective maturities, as will be set forth in the Certificate of Determination. For the purpose of selection of Bonds for redemption, each \$5,000 of principal amount of Bonds within a series and maturity shall be treated as a separate Bond. If less than all the Bonds of an entire series or maturity are to be redeemed, the Bonds to be redeemed shall be chosen in such manner as the Bond Registrar or DTC, as appropriate, shall determine. Any taxable series of Bonds may be subject to optional redemption at any time, including with a "make-whole" redemption payment or payment at par.

B. *Mandatory Redemption of Bonds.* The Designated Representative may approve the designation of certain maturities of the Bonds as Term Bonds as will be set forth in the Certificate of Determination. Amounts used to purchase or redeem Bonds that are Term Bonds shall be credited against mandatory sinking fund installments by lot.

C. *Notice of Redemption.* Notice of any such intended redemption shall be given by the Bond Registrar at the direction of the District not less than 20 nor more than 60 days prior to the date fixed for redemption by first class mail, postage prepaid, to the Owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice. The requirements of this Section 5C shall be deemed to have been fulfilled when notice has been mailed as herein provided, whether or not it is actually received by the Owner of any Bond. Further, the failure to give such notice as required by this section or any defect in any such notice shall not affect the validity of any proceedings for the redemption of Bonds with respect to which no such failure or defect occurred. Interest on Bonds so called for redemption shall cease to accrue on the date fixed for redemption unless such Bonds so called are not redeemed upon presentation made pursuant to such call. Each check or other transfer of funds issued for payment of the redemption price of Bonds shall bear the CUSIP number identifying, by issue, series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. The District shall also give notice of redemption pursuant to Section 27.

The foregoing notice provisions of this Section 5C, 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.

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 on or 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.

D. *Interest on Past Due Amounts.* If any Bond is not redeemed when properly presented at its maturity or call date, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Account and the Bond has been called for payment by giving notice of that call to the Owner of that unpaid Bond.

E. *Open Market Purchases.* The District further reserves the right and option to purchase any or all of the Bonds in the open market at any time.

F. *Cancellation of Bonds.* All Bonds purchased by the District or redeemed under this resolution need not be cancelled.

Section 6. *Mutilated, Lost, Stolen or Destroyed Bonds.* In case any Bond shall at any time become mutilated or be lost, stolen or destroyed, the District in the case of such mutilated Bond shall, and in the case of such lost, stolen or destroyed Bond in its discretion may, execute and direct the Bond Registrar to authenticate and deliver a new Bond of the same interest rate, series and maturity and of like tenor and effect in exchange or substitution for and upon

surrender and cancellation of such mutilated Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. If such mutilated, lost, stolen or destroyed Bond shall have matured, instead of issuing a substitute therefor, the District may without the surrender of such Bond at its option pay the same (in which case the District shall promptly file a certificate to that effect with the Bond Registrar) or cause the same to be paid by the Bond Registrar by a certificate of the District directing such payment filed with the Bond Registrar. Except in the case where a mutilated Bond is surrendered, the applicant for the issuance of a substitute Bond shall furnish to the District and the Bond Registrar evidence satisfactory to them of the loss, destruction or theft of the original Bond, and also such security and indemnity as may be required by the District or the Bond Registrar, and no such substitute Bond shall be issued unless the applicant for the issuance thereof shall reimburse the District and the Bond Registrar for the expenses incurred in connection with the preparation, execution, authentication, issuance and delivery of the substitute Bond. Any such substitute Bond shall be equally and proportionately entitled to the security of this resolution with all other Bonds issued hereunder, whether or not the Bond alleged to have been lost, stolen or destroyed shall be found at any time. The Bond Registrar shall cancel all mutilated Bonds surrendered to it.

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 BOND, 2020 [SERIES A/B] [(TAXABLE)]

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

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT: _____ THOUSAND AND NO/100 DOLLARS

Public Utility District No. 1 of Okanogan County, Washington, a municipal corporation of the State of 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 thereon from the date of issuance at the Interest Rate set forth above, payable on the first days of each _____ and _____, commencing on _____, 20___. 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 DTC.

Both principal of and interest on this bond are payable in lawful money of the United States of America. Principal is payable only to the Registered Owner on presentation and surrender of this bond at the principal office of the fiscal agent of the State of Washington currently U.S. Bank National Association, Seattle, Washington (the "Fiscal Agent"), which

Fiscal Agent has been appointed the Bond Registrar and paying agent for the bonds. Payment of each installment of interest shall be made to the Registered Owner whose name appears on the registration books of the District maintained by the Bond Registrar (the "Bond Register") at the close of business on the 15th day of the month preceding the interest payment date (the "Record Date") and shall be paid by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register. Notwithstanding the foregoing, as long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, as nominee of The Depository Trust Company ("DTC"), payments of principal of and interest on this bond will be made in next day funds on the date such payment is due and payable at the place and in the manner provided in the Letter of Representation to DTC.

This Bond is one of a duly authorized series of bonds aggregating \$_____ in principal amount and designated as "Electric System Revenue Bonds, 2020[Series A/B] [(Taxable)]" (the "Bonds"). The Bonds are issued under and pursuant to Resolution No. _____ adopted on October 12, 2020 (the "Bond Resolution"), and under the authority of and in full compliance with the Constitution and laws of the State of Washington, including Title 54 of the Revised Code of Washington. Capitalized terms used on this Bond and not otherwise defined shall have the meanings given such terms 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 Promissory Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), the 2010 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 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 _____, 2020.

[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 Bonds, 2020 [Series A/B] [(Taxable)], dated _____, 2020, 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 Commission, attested by the manual or facsimile signature of the Secretary of the Commission, 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, including the 2016 Bond.

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, if the Reserve Account will secure the Bonds, on the date of delivery of the Bonds to the initial purchasers thereof, deposit cash and, if determined by the Designated Representative, Bond proceeds in the Reserve Account sufficient to meet the Reserve Account Requirement, if any. 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.

With the consent of the owners of not less than 51% in aggregate principal amount of Parity Bonds at the time outstanding, as provided in Section 26B, the resolution authorizing any owners of Future Parity Bonds may establish or authorize a separate debt service reserve account for any such Future Parity Bonds and set forth the reserve account requirement for such bonds or provide that some or all of such Future Parity Bonds be secured by the Reserve Account. 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 amendment. If the appropriate consent is received upon the refunding of the RUS Note and the issuance of the Bonds, the Designated Representative may elect to have the Bonds secured by a separate account and set the Reserve Account Requirement to zero. The Board or designated representative may elect to create a separate reserve fund for a series of Future Parity Bonds and establish a reserve account requirement, which may be zero, for such Future Parity Bonds, in which case the Reserve Account shall not secure such Future Parity Bonds.

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 27.

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, 2020” (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, together with any cash of the District, as determined by the Designated Representative, shall be deposited as follows:

A. If so determined by the Designated Representative, a portion of the proceeds of the Bonds shall be used to repay the RUS Note and the Notes.

B. The amount required to fund the Reserve Account Requirement, if necessary, shall be deposited into the Reserve Account.

C. The balance of the proceeds of the Bonds shall be deposited in the Construction Account and used to finance the costs of the Plan and pay costs of issuing the Bonds.

Section 14. Call for Redemption of the RUS Note and Notes. 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 Nos. 1512 and 1652 to effect the repayment of the RUS Note and the Note.

Section 15. 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 16. 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 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 17. 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 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 Accounting, Finance and Administration 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 secured by the Reserve Account, 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 Parity 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 17.

Section 18. 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 of the Parity Bonds.

Section 19. Tax Covenants.

A. *Preservation of Tax Exemption for Interest on the Tax-Exempt Bonds.* The District covenants that it will take all actions necessary to prevent interest on any tax-exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the tax-exempt Bonds or other funds of the District treated as proceeds of the tax-exempt Bonds that will cause interest on the tax-exempt Bonds to be included in gross income for federal income tax purposes. The District also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the tax-exempt Bonds, take all actions necessary to comply (or to

be treated as having complied) with those requirements in connection with the tax-exempt Bonds.

B. *Post-Issuance Compliance.* The Director of Accounting, Finance and Administration is authorized and directed to review and update, if needed, the District's written procedures to facilitate compliance by the District with the covenants in this resolution and the applicable requirements of the Code that must be satisfied after the issue date to prevent interest on the tax-exempt Bonds from being included in gross income for federal tax purposes.

C. *Designation of Bonds as "Qualified Tax-Exempt Obligations."* A series of the tax-exempt Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

(i) the series does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(ii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that 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 is issued will not exceed \$10,000,000; and

(iii) the amount of tax-exempt obligations, including the series, 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 is issued does not exceed \$10,000,000.

Section 20. 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 21. 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 22. 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 23. 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 24. 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 25. 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 26. 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 27. Undertaking to Provide Ongoing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, 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 Listed Events.* The District undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

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

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District, as such “Bankruptcy Events” are defined in the Rule; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a

source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule; 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 District undertakes to provide in subsection (A) of this section:

(i) Shall consist of (1) annual financial statements of the Electric System prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to government entities, as such principles may be changed from time to time; (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 consumed, and revenues substantially in the form of the table “Customers, Energy Consumed (kWh) and Revenues Billed” 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 “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, 2020; 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.

If not submitted as part of the annual financial information described in paragraph (B)(i) above, the District will provide or cause to be provided to the MSRB audited financial statements, when and if available.

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 Accounting, Finance and Administration 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 28. Sale of Bonds. The Director of Accounting, Finance and Administration, or General Manager in her absence, is appointed as the District's Designated Representative.

The Commission has determined that it is in the best interest of the District to delegate to the Designated Representative the authority to approve the Final Terms of the Bonds, and acquire bond insurance if determined to be advantageous, with such additional terms and covenants as the Designated Representative deems advisable, within the following parameters:

(A) The Bonds may be issued in one or more series, and the aggregate principal amount of the Bonds shall not exceed \$40,000,000;

(B) One or more rates of interest may be fixed for the Bonds as long as no rate of interest for any maturity (the coupon rate) of the Bonds exceeds 5%;

(C) The true interest cost to the District for each series of Bonds in the aggregate does not exceed 4.5%;

(D) The aggregate purchase price for the Bonds shall not be less than 98% of the aggregate stated principal amount of the Bonds, excluding any original issue discount;

(E) The Bonds may be issued subject to optional and mandatory redemption provisions;

(F) The Bonds shall be dated as of the date of their delivery, which date and time for the issuance and delivery of the Bonds is not later than December 31, 2021; and

(G) The Bonds shall mature no later than December 1, 2050.

In determining the Final Terms of the Bonds, the Designated Representative, in consultation with other District officials and staff and advisors, shall take into account those factors that, in her or his judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable to the Bonds.

The Bonds shall be sold by negotiated sale to the Underwriter. Subject to the terms and conditions set forth in this Section 30, the Designated Representative is hereby authorized to execute a purchase contract to be presented by the Underwriter (the "Bond Purchase Contract") on behalf of the District upon the approval of the Designated Representative of the number of series, the tax status of each series, the series designation, final principal amounts, date of the Bonds, denominations, interest rates, payment dates, redemption provisions, and maturity dates for the Bonds

The Bonds will be printed at District's expense and will be delivered to the Underwriter in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Garvey P.C., municipal bond counsel of Seattle, Washington, regarding the Bonds.

Section 29. Official Statement. The District authorizes the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. Pursuant to the Rule, the Director of Accounting, Finance and Administration may deem 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 Director of Accounting, Finance and Administration 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.

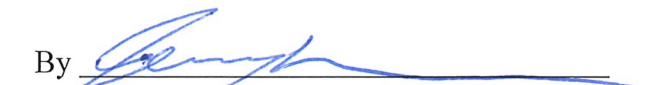
Section 30. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

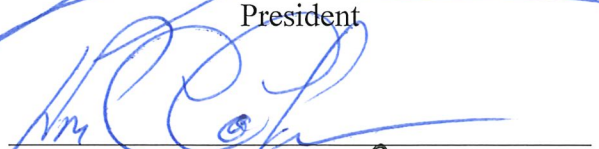
Section 31. General Authorization. The District's General Manager, Director of Accounting, Finance and Administration, Treasurer and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry 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.

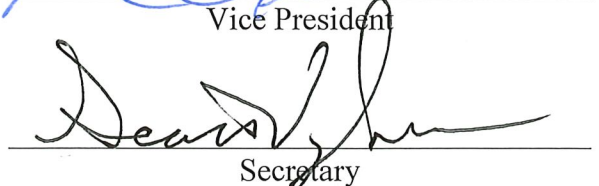
Section 32. Effective Date. This resolution shall take effect immediately after its adoption.

ADOPTED AND APPROVED by the Board of Commissioners of Public Utility District No. 1 of Okanogan County, Washington, at a meeting this 12th day of October, 2020.

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

By  _____
President

 _____
Vice President

 _____
Secretary

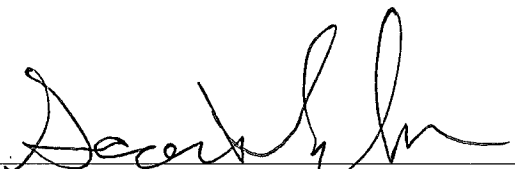
CERTIFICATE

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.1730 of the Commission, duly adopted at a meeting thereof held on October 12, 2020.

2. That said meeting was duly convened and held in all respects in accordance with law (including Proclamation 20-28 made by the Governor of the State of Washington on March 24, 2020, as extended, and acts of the legislative leadership of the State of Washington), 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 12th day of October, 2020.


Secretary