

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

RESOLUTION NO. 1595

A RESOLUTION of Public Utility District No.1 of Okanogan County, Washington, establishing a line of credit and providing for the issuance and sale of an electric system revenue anticipation note of the District in the aggregate principal amount of not to exceed \$10,000,000 to evidence the line of credit; and providing the form, terms, and covenants of the note.

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

WHEREAS, the District now has outstanding its Electric System Revenue Bonds, 2003 Series A, in the principal amount of \$4,030,000, issued pursuant to Resolution No. 1253 (the "2003A Bonds"), its Electric System Revenue Bonds, 2003 Series B (Taxable), in the principal amount of \$2,305,000, also issued pursuant to Resolution No. 1253 (the "2003B Bonds"), its Electric System Revenue and Refunding Bonds, 2010 Series A, in the principal amount of \$8,125,000, issued pursuant to Resolution No. 1513 (the "2010A Bonds"), its Electric System Revenue Bonds, 2010 Series B (Taxable Build America Bonds – Direct Payment), in the principal amount of \$21,980,000, also issued pursuant to Resolution No. 1513 (the "2010B Bonds") and its Electric Revenue Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), in the principal amount of \$2,976,559, issued pursuant to Resolution No. 1512 (the "2010 Note," and collectively with the 2003A Bonds, the 2003B Bonds, the 2010A Bonds and the 2010B Bonds, the "Outstanding Parity Bonds"); and

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

WHEREAS, in order to provide interim financing for the costs of maintenance and operation of the Electric System (defined in Section 1 below) and other expenses of the District, the Commission of the District deems it to be in the best interest of the District to issue and sell short-term obligations in the form of an electric system revenue anticipation note of the District in the aggregate amount of not to exceed \$10,000,000 (the "Note"); and

WHEREAS, it was provided in each of the resolutions authorizing the issuance of the Outstanding Parity Bonds that additional electric revenue indebtedness may be incurred that is subordinate to the lien on and pledge of such revenues securing the Outstanding Parity Bonds; and

WHEREAS, the District has received an offer from KeyBank National Association to purchase the Note;

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.

“Authorized Officer” means the General Manager, Auditor/Director of Accounting, Finance and Administration or Treasurer of the District.

“Bank” means KeyBank National Association, or its corporate successor.

“Banking Day” means any day KeyBank National Association is open for business in the State.

“Bond Counsel” means Foster Pepper PLLC, attorneys, of Seattle, Washington, or such other firm of lawyers nationally recognized and accepted as bond counsel designated by the District.

“Bond Fund” means the District’s Electric Revenue Bond Account created by Resolution No. 1236.

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

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

“Electric System” or “System” means the generation, distribution and transmission facilities, telecommunications facilities of the District, and any facilities hereafter acquired by the District, but such Electric System shall not include any property and facilities as may

hereafter be acquired or constructed and established as a separate utility system not financed from the Gross Revenues except on a basis junior and inferior to the lien on Gross Revenue pledged to pay and secure the Parity 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.

“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 or other evidence of indebtedness issued on a parity with the Outstanding Parity Bonds.

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

“LIBOR Business Day” means a day on which (a) banks are not required or authorized to close in Cleveland, Ohio, and (b) dealings are carried on in the London interbank eurodollar market.

“LIBOR Fixed Rate” means, for any applicable LIBOR Interest Rate Period, the rate per annum equal to the rate per annum calculated by the Bank in good faith, which the Bank determines with reference to the rate per annum (rounded upwards to the next higher whole multiple of 1/16th if such rate is not such a multiple) at which deposits in United States dollars are offered by prime banks in the London interbank eurodollar market two LIBOR Business Days prior to the day on which such rate is calculated by the Bank, in an amount comparable to the amount of such advance and with a maturity of one month.

“LIBOR Interest Rate Period” means a period of one month, not to exceed the Maturity Date of the Note.

“Maturity Date” means a date that is three years from the date of delivery of the Note to the Bank.

“Note” means the Electric System Revenue Anticipation Note, 2014 authorized to be issued by this Resolution.

“Note Fund” means the “Electric System Revenue Anticipation Note Fund” created by Section 5 of this Resolution.

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

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

“Note Registrar” means the Treasurer of the District.

“Outstanding Parity Bonds” means the 2003A Bonds, 2003B Bonds, 2010A Bonds, 2010B Bonds and 2010 Note.

“Outstanding Principal Balance of the Note” means the aggregate of all funds that the District has drawn from the Bank pursuant to the Note less the aggregate of all principal payments on the Note made by the District.

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

“Prime Rate” means the rate of interest publicly announced from time to time by the Bank as its prime rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank’s prime rate.

“Request for Draw” means a written request by an Authorized Officer for a draw on the revolving line of credit authorized to be established by this Resolution, as more fully described in Section 3, and in the form of Exhibit A attached hereto.

“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 Electric System actually scheduled or received energy from such resource during such month) and (b) at all other times as an indebtedness of the Electric System payable from Gross Revenue on a parity of lien with Parity Bonds:

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

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

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

“State” means the State of Washington.

“Taxable Interest Rate Mode” means a rate per year equal to the 30-day LIBOR Fixed Rate plus 1.20%. Each draw must be in the minimum amount of \$100,000 and must have a LIBOR Interest Rate Period of one month.

“Tax-Exempt Interest Rate Mode” means a rate per year equal to 65.01% of the the sum of (a) 30-day LIBOR Fixed Rate, plus (b) 1.30%. Each draw must be in the minimum amount of \$100,000 and must have a LIBOR Interest Rate Period of one month.

“Treasurer” means the duly appointed and acting Treasurer/Finance Manager of the District, or such person who shall have assumed the duties of the Treasurer, pursuant to District resolution and in accordance with State law.

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

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

“2010A Bonds” mean 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 \$8,125,000.

“2010B Bonds” mean 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 \$21,980,000.

“2010 Note” mean the District’s Electric Revenue Note, 2010 (RUS Broadband Initiatives Project – Washington 1106-A40), issued pursuant to Resolution No. 1512 and currently outstanding in the principal amount of \$2,976,559.

Section 2. Authorization of the Note; Maturity and Interest Rate. For the purpose of providing interim financing for the costs of maintenance and operation of the Electric System and other expenses of the District and paying the costs of issuing the Note, the District hereby establishes a revolving line of credit and to evidence such line, authorizes the issuance of its Note. The aggregate principal amount of all advances under the Note shall at no time exceed \$10,000,000. The Note shall be designated as the “Public Utility District No. 1 of Okanogan County, Washington Electric System Revenue Anticipation Note, 2014.” The Note shall be dated as of the date of its initial delivery to the Bank; shall be numbered R-1; and shall mature on the Maturity Date.

Amounts drawn under the Note shall bear interest in the Tax-Exempt Interest Rate Mode; provided, however, that any amounts drawn under the Note that are not permitted to be financed

on a tax-exempt basis under the Code shall bear interest in the Taxable Interest Rate Mode. Interest on the Note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the Outstanding Principal Balance on the basis of a 360-day year and the actual days elapsed. Interest on the Note shall be payable quarterly, beginning December 1, 2014 and on the Maturity Date or upon early prepayment of the Outstanding Principal Balance of the Note. Principal on the Note shall be paid on the Maturity Date.

The Note shall be issued in fully registered form. Both principal of and interest on the Note shall be payable in lawful money of the United States of America by check, warrant, wire transfer or automatic clearinghouse funds, to the registered owner of the Note at the address shown on the Note Register. The Treasurer shall act as Registrar.

The Note may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Note to any successor to the business and assets of the Bank.

Section 3. Procedures for Request for Draw. The District hereby delegates to the Authorized Officers authority to make a written Request for Draw in accordance with the terms and provisions of this resolution in the amounts, in the modes and at the times as the Authorized Officers may determine. Any Request for Draw must be delivered to the Bank at least three LIBOR Business Days prior to the date designated for disbursement of Note proceeds, in the form of Exhibit A attached hereto, and must be in the minimum principal amount of \$100,000. The Bank shall incur no liability to the District or to any other person in acting upon any written notice or other communication which the Bank believes in good faith to have been given by an Authorized Officer, or otherwise acting in good faith in making advances pursuant to this resolution. Note proceeds shall be deposited into the appropriate District account at the Bank as determined by the Authorized Officers.

The initial draw on the Note that is in Tax-Exempt Interest Rate Mode is subject to the written approval of Bond Counsel and must be accompanied by a tax certificate and an Internal Revenue Service Form 8038-G. Draws in the Taxable Interest Rate Mode or subsequent draws in the Tax-Exempt Interest Rate Mode shall not require approval of Bond Counsel.

Section 4. Prepayment. The District may prepay the Note 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. A prepayment fee equal to the amount necessary to reimburse the Bank's breakage and redeployment costs is required for the prepayment, on a date other than the last day of a LIBOR Interest Rate Period. If the Note is prepaid in full, interest shall cease to accrue on the date such prepayment occurs.

Section 5. Payment of the Note; Security.

A. The Note is a special obligation of the District payable solely out of a special fund of the District hereby established and designated the "Electric System Revenue Anticipation Note Fund" (the "Note Fund"). Amounts on deposit in the Note Fund shall be drawn upon only for the purpose of paying the principal of and interest on the Note.

B. The District hereby covenants that on or before an installment of principal of or interest on the Note is due, it will deposit in the Note Fund amounts out of the Revenue

Fund as shall be necessary, when added to other amounts paid into the Note Fund, to pay the principal of and interest due on the Note as the same becomes due. The Note shall have a lien on Net Revenues junior to the payment of the Costs of Maintenance and Operation, including Resource Obligations, the Outstanding Parity Bonds and any Future Parity Bonds. The Note shall not be deemed to constitute a general obligation or a pledge of the faith and credit of the District.

Section 6. Revenue Fund. The District covenants that so long as the Note is 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 interest, principal and bond retirement accounts in the Bond Fund to pay and secure the payment of the principal of, premium, if any, and interest on the Outstanding Parity Bonds and any Future Parity Bonds;

(iii) to make all payments required to be made into the reserve account in the Bond Fund for the Outstanding Parity Bonds and any Future Parity Bonds and to pay any reimbursement obligations relating to payments from the reserve account; and

(iv) to make all payments required to be made into the Note Fund and any other bond redemption fund created to pay and secure the payment of principal of, premium, if any, and interest on the Note and any revenue obligations of the District having a lien upon the Net Revenues junior and inferior to the lien thereon for the payment of the principal of and interest on the Outstanding Parity Bonds and any Future Bonds.

B. The principal of and interest on Resource Obligations, not payable as Costs of Maintenance and Operation, shall be paid on a parity with the 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 pursuant to Resolution No. 1253.

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

No. R-1

not to exceed \$10,000,000

UNITED STATES OF AMERICA

STATE OF WASHINGTON

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE ANTICIPATION NOTE, 2014

Maturity Date: September 15, 2017

Registered Owner: KeyBank National Association

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, but solely from the Electric System Revenue Anticipation Note Fund (the "Note Fund") created by Resolution No. 1595 of the District adopted September 8, 2014 (the "Note Resolution"), to the Registered Owner identified above, the principal amount of not to exceed \$10,000,000 outstanding at any one time from the date hereof. Each draw pursuant to a Request for Draw shall bear interest in the Tax-Exempt Interest Rate Mode or the Taxable Interest Rate Mode. Interest on this note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the principal amount outstanding on the basis of a 360-day year and the actual days elapsed. Interest shall be payable quarterly, beginning December 1, 2014 and at maturity or upon early redemption. Principal on this note shall be paid on the Maturity Date identified above.

Both principal of and interest on this note shall be payable in lawful money of the United States of America by check, warrant, wire transfer or automatic clearinghouse funds, to the Registered Owner of this note at the address shown on the Note Register.

This note is designated as the "Electric System Revenue Anticipation Note, 2014." This note is issued under and pursuant to the Note Resolution, and under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington.

This note is a special obligation of the District and is payable solely from the Note Fund of the District, created by the Note Resolution. This note has a lien on Net Revenues junior to the payment of operating expenses of the Electric System, including Resource Obligations, the Outstanding Parity Bonds and any Future Parity Bonds. Reference to the Note Resolution is hereby made for a description of this note, definitions of capitalized terms used herein; the funds applicable to the payment of this note; the covenants and agreements of the District, including the conditions under which other obligations of the District may be issued prior to this note.

This note shall not be deemed to constitute a general obligation or pledge of the faith and credit of the District or a debt or a pledge of the faith and credit of the State of Washington or any other municipal corporation or political subdivision thereof or a debt of any other system of the District except the Electric System.

The District may prepay this note 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. A prepayment fee may apply if the outstanding amounts subject to the LIBOR Fixed Rate are prepaid in whole or in part on a day other the last day of its LIBOR Interest Rate Period, as set forth in the Note Resolution. Interest shall cease to accrue on the date this note is prepaid in full.

The portions of the Note used for tax-exempt purposes have been designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code. For purposes of Section 256(b)(7) of the Code, the District expects to make an initial draw on the Note in the Tax-Exempt Interest Mode in 2014, and thus the Note will be considered issued in such year.

The initial draw on this note in the Tax-Exempt Interest Mode is subject to the written approval of Bond Counsel and must be accompanied by a federal tax certificate and an Internal Revenue Service Form 8038-G prepared by Bond Counsel. Draws in the Taxable Interest Rate Mode and subsequent draws in the Tax-Exempt Interest Rate Mode shall not require approval of Bond Counsel.

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

IN WITNESS WHEREOF, Public Utility District No. 1 of Okanogan County, Washington, by its Commission has caused this note to be signed with the manual or facsimile signature of the President of the Commission and attested by the manual or facsimile signature of the Secretary thereof, and the seal of the District to be impressed hereon, as of this 15th day of September, 2014.

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

By /s/ manual or facsimile signature
President

(SEAL)

ATTEST:

 /s/ manual or facsimile signature
Secretary

REGISTRATION CERTIFICATE

This note is registered in the name of the Registered Owner on the books of the District, in the office of the District’s Treasurer (the “Registrar”), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this note shall be made by the District payable to the last Registered Owner as shown hereon and on the registration books of the Registrar at his/her address noted hereon and on the registration books of the Registrar.

Date of Registration	Name and Address of Registered Owner	Signature of Registrar
September 15, 2014	KeyBank National Association 4900 Tiedeman Road Brooklyn, Ohio 44144	Treasurer/Finance Manager

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

Only a note that bears a Registration Certificate in the form set forth in Section 7 of this resolution, 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 Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this Resolution.

Section 9. Sale of the Note; Unused Commitment Fee. The sale of the Note to the Bank, under the terms and conditions of this resolution, is hereby approved and confirmed. Upon delivery of the Note, the District shall pay to the Bank a fee of \$15,000, and reimburse the Bank for its legal fees in an amount not to exceed \$3,000. In addition, the District agrees to pay to the Bank quarterly in arrears, on each March 1, June 1, September 1, and December 1, commencing December 1, 2014, and on the Maturity Date or such earlier date as the full amount of the Bank’s \$10,000,000 commitment has been cancelled with the consent of the District, a fee for the unused portion of the Bank’s commitment, which fee shall equal 0.40% per annum and calculated on the difference between \$10,000,000 and the average Outstanding Principal Balance of the Note for the preceding quarterly period.

Section 10. Default. If (A) there occurs any nonpayment of principal, interest, fees or other amounts when due under the Note or this Resolution, or (B) the interest on the outstanding amounts drawn under the Note in the Tax-Exempt Interest Rate Mode cease to be tax-exempt, then the Bank at its option may increase the interest rate on the Note by three percentage points.

Section 11. Consent to Governing Law; Waiver of Jury Trial. The District consents and agrees to the election of Washington law to govern the Note. The District irrevocably and voluntarily waives, and the Bank by purchase of the Note irrevocably and voluntarily waives, any right they may have to a trial by jury in respect of any controversies or claims between the District and the Bank, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this Resolution, (ii) the Note or (iii) any document related to the Note and this Resolution. The District and the Bank agree and understand that the effect of this agreement is that they are giving up the right to trial by jury to the extent permitted by law.

Section 12. Reporting Requirements. The District will provide the following information to the Bank:

A. The District's audited annual financial statement due no later than 270 days after fiscal year end, or if audited by the State Auditor, promptly after they are received from the auditor, with the unaudited annual financial statement to be delivered to the Bank no later than 180 days after fiscal year end;

B. The District's annual budget due no later than 45 days after adoption; and

C. Such other information as may be reasonably requested by the Bank from time to time.

Section 13. General Covenants. The District covenants with the purchaser and owner of the Note issued pursuant to this Resolution, so long as the Note is outstanding, as follows:

A. *Rate Covenant—General.* The District will establish, maintain and collect rates and charges for electric power and energy and other services, facilities and commodities sold, furnished or supplied through the Electric System which shall be adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Note, the Outstanding Parity Bonds and any Future Parity Bonds for which the payment has not otherwise been provided, for all payments which the District is obligated to make into the Note Fund and the bond fund for the Outstanding Parity Bonds and any Future Parity Bonds, and for the proper operation and maintenance of the Electric System, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Gross Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts which the District may now or hereafter become obligated to pay from the Gross Revenues by law or contract.

B. *Restrictions on Incurrence of Additional Debt.* The District will not hereafter incur any indebtedness payable from and secured by a lien on and pledge of the Net Revenues of the Electric System that is prior to the lien and pledge of such Net Revenues securing the Outstanding Parity Bonds, except as provided in Resolution No. 1253. The District will not hereafter incur any indebtedness with a lien on the Net Revenues of the Electric System on a parity with the Note without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

C. *Covenant to Maintain System in Good Condition.* The District shall at all times maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Electric System and all additions and betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, 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. The District will at all times operate such properties and the business in connection therewith or cause such properties and business to be operated in an efficient manner and at a reasonable cost.

D. *Covenants Concerning Disposal of Properties of Electric System.* The District shall not sell, mortgage, lease or otherwise dispose of the properties of the Electric System except as provided in Resolution No. 1253.

E. *Debt Service Reserve.* A debt service reserve account is not required for the Note.

Section 14. Tax Covenants and Designation. The following covenants and designation only apply to the portions of the Note used for tax-exempt purposes and amounts drawn under the Note in the Tax-Exempt Interest Rate Mode.

A. The District hereby covenants that it will not make any use of the proceeds of sale of the Note or any other funds of District which may be deemed to be proceeds of sale of the Note pursuant to Section 148 of the Code and the applicable regulations thereunder which will cause the Note to be an “arbitrage bond” within the meaning of such section and such regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Note) and the applicable regulations thereunder through the term of the Note. The District further covenants that it will not take any action or permit any action to be taken that would cause the Note to constitute a “private activity bond” under Section 141 of the Code.

B. The initial draw in Tax-Exempt Interest Rate on the Note is subject to written approval of Bond Counsel and will be accompanied by a federal tax certificate and an Internal Revenue Service Form 8038-G prepared by Bond Counsel.

C. The District has determined and certifies that (a) the Note is not a “private activity bond” within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District, or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Note is issued will not exceed \$10,000,000; and (c) the amount of tax-exempt obligations, including the Note, 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 Note is issued does not exceed \$10,000,000. The District designates the Note as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code. For purposes of Section 256(b)(7) of the Code, the District

expects to make the draw in Tax-Exempt Interest Mode on the Note in 2014, and thus the Note will be considered issued in such year.

Section 15. Authorization to Officials and Agents. The appropriate District officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Note.

Section 16. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

Section 17. General Authorization. The District's General Manager, Auditor/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 18. 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 8th day of September, 2014.

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

By 
Steve Houston, President


Ernest J. Bolz, Vice President


David A. Womack, Secretary

EXHIBIT A

DRAW CERTIFICATE NO. ____

Public Utility District No. 1 of Okanogan County, Washington
Electric System Revenue Anticipation Note, 2014

TO: KeyBank National Association

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

2. I am an Authorized Officer of the District, as defined in Resolution No. 1595 of the District (the "Note Resolution"), and I am authorized to request this draw under the Note Resolution and to make the representations on behalf of the District in this certificate. Capitalized terms used in this draw certificate have the meanings defined for such terms in the Note Resolution.

3. The District requests a draw under the line of credit provided for in the Note Resolution in the amount of \$_____ (minimum of \$100,000).

4. The amount of this draw, plus all previous draws still outstanding under the Note Resolution, does not exceed \$10,000,000. Please disburse the draw to the District on _____ [insert date], which is at least 3 LIBOR Business Days after the date this request is delivered to the Bank, by wiring funds to the District as follows: _____ [insert account].

This draw is to be made in the Taxable Interest Rate Mode

This draw is to be made in the Tax-Exempt Interest Rate Mode, and all conditions to making a draw in such mode have been satisfied.

5. If this draw is to be made in the Tax-Exempt Interest Rate Mode, either (i) the draw is treated as "deemed designated" as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3)(D)(ii) of the Code, or (ii) is hereby designated by the District as a "qualified tax-exempt obligation" under Section 265(b)(3)(i)(i) of the Code. If (ii), the District has not made more than \$10,000,000 in draws under the Note Resolution during the calendar year during which this draw will be disbursed and the Note Resolution reasonably expects that the amount of tax-exempt obligations to be issued by the Note Resolution (and any subordinate entities to the Note Resolution) during the calendar year during which this draw will be disbursed, including any draws made under the Note Resolution during such calendar year, will not exceed \$10,000,000.

Dated as of _____, 201__.

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

By:

Authorized Officer

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. 1595 of the Commission, duly adopted at a meeting thereof held on September 8, 2014.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the passage of the resolution; that all other requirements and proceedings incident to the proper passage of the resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

Dated this 8th day of September, 2014.



David A. Womack, Secretary

CLOSING CERTIFICATE

I, Don Coppock, certify that I am the acting Director of Accounting, Finance and Administration of Public Utility District No. 1 of Okanogan County, Washington (the "District"), authorized to execute and deliver this certificate and further certify on behalf of the District as follows:

1. This certificate is delivered in connection with the issuance of the not to exceed \$10,000,000 par value Electric System Revenue Anticipation Note, 2014 (the "Note"), of the District.

2. No litigation of any nature is now pending or, to my knowledge, threatened, seeking to restrain or enjoin the issuance and delivery of the Note or the fixing or collection of the revenues, rates and charges pledged to pay the principal of and interest on the Note, or in any manner questioning the proceedings and authority under which the Note is issued or the validity of the Note thereunder; neither the corporate existence or boundaries of the District nor the title of the present officers to their respective offices is being contested; and no authority or proceeding for the issuance of the Note has been repealed, revoked or rescinded.

3. Resolution No. 1595 of the District, the resolution authorizing the issuance and sale of the Note, has not been modified or repealed.

Dated as of September 15, 2014.

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

Don Coppock,
Director of Accounting, Finance and Administration

SIGNATURE IDENTIFICATION CERTIFICATE

STATE OF WASHINGTON)
) ss.
COUNTY OF OKANOGAN)

I, David A. Womack, certify that I am the Secretary of the Board of Commissioners (the “Board”) of Public Utility District No. 1 of Okanogan County, Washington (the “District”), and that Steve Houston is the President of the Board of the District.

I further certify that the not to exceed \$10,000,000 par value Electric System Revenue Anticipation Note, 2014, of the District dated September 15, 2014, bears my signature as Secretary of Board of the District and the signature of Steve Houston as President of the Board of the District.

PUBLIC UTILITY DISTRICT NO. 1,
OKANOGAN COUNTY, WASHINGTON

David A. Womack, Secretary

SUBSCRIBED AND SWORN TO before me this _____ day of September, 2014.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing at _____

My appointment expires _____

NOTE REGISTER
PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

NOT TO EXCEED \$10,000,000
ELECTRIC SYSTEM REVENUE ANTICIPATION NOTE, 2014

Name of Registered Owner: KEYBANK NATIONAL ASSOCIATION
Address of Registered Owner: Attn: Agency Services, MC: OH-01-49-0114
4900 Tiedeman Road
Brooklyn, Ohio 44144
Note No. R-1
Tax ID No. 34-0797057

Dated: September 15, 2014

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

Treasurer

RECEIPT FOR FIRST LOAN DRAW

The Public Utility District No. 1 of Okanogan County, Washington (the "District"), acknowledges receipt this day from KeyBank National Association of \$100,000 as the proceeds of a first draw in the Tax-Exempt Interest Rate Mode on the District's not to exceed \$10,000,000 par value Electric System Revenue Anticipation Note, 2014, dated September 15, 2014.

DATED: September 15, 2014

PUBLIC UTILITY DISTRICT NO. 1 OF
OKANOGAN COUNTY, WASHINGTON

Don Coppock,
Director of Accounting, Finance and Administration

PURCHASER'S RECEIPT AND CERTIFICATE

I, the undersigned, on behalf of KeyBank National Association (the "Purchaser"), do hereby certify and acknowledge on behalf of the Purchaser as follows:

1. The Purchaser acknowledges receipt this day of the not to exceed \$10,000,000 principal amount Electric System Revenue Anticipation Note, 2014 (the "Note"), of Public Utility District No. 1 of Okanogan County, Washington (the "Issuer"), dated September 15, 2014. The Note is authorized pursuant to Resolution No. 1595 of the Board of Commissioners of the District (the "Resolution"). The Purchaser is receiving a fee of \$15,000.

2. The Purchaser has made a complete investigation of the facts and circumstances furnished to it by the Issuer relating to the issuance and delivery of the Note. Such investigation included, without limitation, a review of: (i) the nature and purpose of the Note and application of the Note proceeds as set forth in the Resolution, (ii) the financial condition of the Issuer, including its outstanding debt and its ability to repay the principal of and interest on the Note, (iii) the Purchaser's remedies in the event of default in the payment of principal of and interest on the Note subject to applicable laws affecting creditors' rights, and (iv) the Resolution.

3. The Purchaser acknowledges that (i) the Note is not registered under the Securities Act of 1933 or 1934 or otherwise qualified for sale under the "blue sky" laws and regulations of any state and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, (ii) the Note carries no rating from any credit rating agency, (iii) no trading market exists or is expected to exist for the Note, (iv) no official statement or other offering material is being provided with respect to the Note and the Purchaser has made its own inquiry and analysis with respect to the Issuer and the Note and the security therefor, and (v) the Issuer's financial statements and all other information regarding the Issuer speaks only as of its date and does not contain all material information regarding the Issuer.

4. The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt and taxable municipal obligations, to be able to evaluate the risks and merits of the purchase of the Note. The Purchaser is satisfied that it has had access to all material information necessary to make a sound investment decision and that the Issuer has responded fully and accurately to all requests for information, and no further information is desired.

5. The Note will be held by the Purchaser for its own accord and will not be reoffered to the public. The Purchaser is a "qualified institutional buyer" as defined in Section 144A of the Securities Act of 1933 (the "Act") and is a bank within the meaning of Section (a)(1)(vi) of the Act. The Purchaser may only transfer the Note to another bank within the meaning of Section (a)(1)(vi) of the Act at the time of the transfer. Any transfer of the Note must be in accordance with the Resolution. The transferee must sign and deliver a certificate substantially in the form of this certificate.

6. The Purchaser acknowledges and agrees with the terms of the Note stated in the Resolution.

7. The undersigned is a duly appointed and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications contained herein by execution of this certificate on behalf of the Purchaser.

DATED as of September 15, 2014.

KEYBANK NATIONAL ASSOCIATION

Kathryn A. Noggle, Vice President

No. R-1

not to exceed \$10,000,000

UNITED STATES OF AMERICA

STATE OF WASHINGTON
PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE ANTICIPATION NOTE, 2014

Maturity Date: September 15, 2017

Registered Owner: KeyBank National Association

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, but solely from the Electric System Revenue Anticipation Note Fund (the "Note Fund") created by Resolution No. 1595 of the District adopted September 8, 2014 (the "Note Resolution"), to the Registered Owner identified above, the principal amount of not to exceed \$10,000,000 outstanding at any one time from the date hereof. Each draw pursuant to a Request for Draw shall bear interest in the Tax-Exempt Interest Rate Mode or the Taxable Interest Rate Mode. Interest on this note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the principal amount outstanding on the basis of a 360-day year and the actual days elapsed. Interest shall be payable quarterly, beginning December 1, 2014 and at maturity or upon early redemption. Principal on this note shall be paid on the Maturity Date identified above.

Both principal of and interest on this note shall be payable in lawful money of the United States of America by check, warrant, wire transfer or automatic clearinghouse funds, to the Registered Owner of this note at the address shown on the Note Register.

This note is designated as the "Electric System Revenue Anticipation Note, 2014." This note is issued under and pursuant to the Note Resolution, and under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington.

This note is a special obligation of the District and is payable solely from the Note Fund of the District, created by the Note Resolution. This note has a lien on Net Revenues junior to the payment of operating expenses of the Electric System, including Resource Obligations, the Outstanding Parity Bonds and any Future Parity Bonds. Reference to the Note Resolution is hereby made for a description of this note, definitions of capitalized terms used herein; the funds applicable to the payment of this note; the covenants and agreements of the District, including the conditions under which other obligations of the District may be issued prior to this note.

This note shall not be deemed to constitute a general obligation or pledge of the faith and credit of the District or a debt or a pledge of the faith and credit of the State of Washington or any other municipal corporation or political subdivision thereof or a debt of any other system of the District except the Electric System.

The District may prepay this note 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. A prepayment fee may apply if the outstanding amounts subject to the LIBOR Fixed Rate are prepaid in whole or in part on a day other the last day of its LIBOR Interest Rate Period, as set forth in the Note Resolution. Interest shall cease to accrue on the date this note is prepaid in full.

The portions of this Note used for tax-exempt purposes have been designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. For purposes of Section 256(b)(7) of the Code, the District expects to make an initial draw on this Note in the Tax-Exempt Interest Mode in 2014, and thus this Note will be considered issued in such year.

The initial draw on this note in the Tax-Exempt Interest Mode is subject to the written approval of Bond Counsel and must be accompanied by a federal tax certificate and an Internal Revenue Service Form 8038-G prepared by Bond Counsel. Draws in the Taxable Interest Rate Mode and subsequent draws in the Tax-Exempt Interest Rate Mode shall not require approval of Bond Counsel.

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

IN WITNESS WHEREOF, Public Utility District No. 1 of Okanogan County, Washington, by its Commission has caused this note to be signed with the manual or facsimile signature of the President of the Commission and attested by the manual or facsimile signature of the Secretary thereof, and the seal of the District to be impressed hereon, as of this 15th day of September, 2014.

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON



By _____
President

ATTEST:

Secretary

REGISTRATION CERTIFICATE

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

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of Registrar</u>
September 15, 2014	KeyBank National Association Attn: Agency Services, MC: OH-01-49-0114 4900 Tiedeman Road Brooklyn, Ohio 44144	_____ Treasurer/Finance Manager