

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

RESOLUTION NO. 1652

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 two electric system revenue anticipation notes of the District in the aggregate principal amount of not to exceed \$10,000,000 each to evidence the line of credit; and providing the form, terms, and covenants of the notes.

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 and Refunding Bonds, 2010 Series A, in the principal amount of \$4,295,000, 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 \$21,420,000, 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 \$2,980,471, issued pursuant to Resolution No. 1512 (the "2010 Note," and collectively with the 2010A Bonds and the 2010B Bonds, the "Outstanding Parity Bonds"); and

WHEREAS, the District now has outstanding its Electric System Revenue Refunding Bond, 2016 (the "2016 Bond") with a lien on Net Revenue junior to 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 constructing the Enloe Dam hydroelectric project and other capital projects and to finance operating 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 two electric system revenue anticipation notes of the District each in the aggregate amount of not to exceed \$10,000,000 (together, the "Notes"); 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 Washington Federal N.A. to purchase the Notes; and

WHEREAS, the District has received the consent of KeyBank National Association to issue the Notes;

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 Interim General Manager, Auditor/Director of Accounting, Finance and Administration or Treasurer of the District.

“Bank” means Washington Federal N.A., or its corporate successor.

“Bond Counsel” means Foster Pepper PLLC, 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, 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, transmission and 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 and the Junior Lien 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).

“Junior Lien Bonds” means the 2016 Bond.

“Junior Lien Bond Account” means the “Junior Lien Bond Account” created by Resolution No. 1628 to pay the principal of and interest on the Junior Lien Bonds.

“Maturity Date” means December 31, 2020. The Maturity Date of the Notes may be extended for a period of up to an additional 10 years, as provided in Section 4 of this resolution.

“Notes” mean the 2018A Note and the 2018B Note.

“Note Fund” means the “Electric System Revenue Anticipation Note Fund” created by Section 6 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 Notes maintained by the Note Registrar.

“Note Registrar” means the Treasurer of the District.

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

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

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

“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.

“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” means the rate of 3.61% for the first three years of the 2018B Note. After the third anniversary of the 2018B Note, if the 2018B Note is extended, the “Taxable Interest Rate” means the variable interest rate based on the St. Louis Fed 3-Year Treasury Constant Maturity Rate plus 1.65%.

“Tax-Exempt Interest Rate” means the rate of 2.85% for the first three years of the 2018A Note. After the third anniversary of the 2018A Note, if the 2018A Note is extended, the “Tax-Exempt Interest Rate” means the variable interest rate based on (A) the St. Louis Fed 3-Year Treasury Constant Maturity Rate plus 1.65%, (B) multiplied by the Corporate Tax

Adjustment. The “Corporate Tax Adjustment” means 100 minus the highest marginal tax rate applied to subchapter C corporations then in effect, expressed as a percentage.

“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.

“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 \$4,295,000.

“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 \$21,420,000.

“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 \$2,980,471.

“2016 Bond” mean the District’s Junior Lien Electric System Revenue Refunding Bond, Series 2016, issued pursuant to Resolution No. 1628.

“2018A Note” means the Electric System Revenue Anticipation Note, 2018A authorized to be issued by this resolution.

“2018B Note” means the Electric System Revenue Anticipation Note, 2018B (Taxable) authorized to be issued by this resolution.

Section 2. Authorization of the Notes; Maturity and Interest Rates.

A. 2018A Note. For the purpose of providing interim financing for the costs of constructing the Enloe Dam hydroelectric project and other capital projects and paying the costs of issuing the 2018A Note, the District hereby establishes a revolving line of credit and to evidence such line, authorizes the issuance of its tax-exempt 2018A Note. The aggregate principal amount of all advances under the 2018A Note shall at no time exceed \$10,000,000. The 2018A Note shall be designated as the “Public Utility District No. 1 of Okanogan County, Washington Electric System Revenue Anticipation Note, 2018A.” The 2018A Note shall be dated as of the date of its initial delivery to the Bank; shall be numbered AR-1; shall bear interest at the Tax-Exempt Interest Rate; and shall mature on the Maturity Date.

B. 2018B Note. For the purpose of financing operating and other expenses of the District and paying the costs of issuing the 2018B Note, the District hereby establishes a revolving line of credit and to evidence such line, authorizes the issuance of its taxable 2018B Note. The aggregate principal amount of all advances under the 2018B Note shall at no time exceed \$10,000,000. The 2018B Note shall be designated as the “Public Utility District No. 1 of Okanogan County, Washington Electric System Revenue Anticipation Note, 2018B (Taxable).” The 2018B Note shall be dated as of the date of its initial delivery to the Bank; shall be

numbered BR-1; shall bear interest at the Taxable Interest Rate; and shall mature on the Maturity Date.

Interest on each 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 each Note shall be payable quarterly on each January 1, April 1, July 1 and October 1, beginning on the first of those dates following the first draw on a Note, and on the Maturity Date or upon early prepayment of the Outstanding Principal Balance of the Notes. Principal on the Notes shall be paid on the Maturity Date.

The Notes shall be issued in fully registered form. Both principal of and interest on the Notes 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 Notes at the address shown on the Note Register. The Treasurer shall act as Registrar.

The Notes may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Notes 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 and at the times as the Authorized Officers may determine. Any Request for Draw must be delivered to the Bank on the business day prior to the date designated for disbursement of Note proceeds. 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 2018A Note 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. Additional draws on the 2018A Note shall not require approval of Bond Counsel.

Section 4. Extension of the Maturity Date. By mutual agreement between the District and the Bank, the Maturity Date of the Notes may be extended for two-year periods, up to a total of 10 additional years. Each Note would be subject to review annually by the Bank after the initial Maturity Date of the Notes.

As a condition precedent to such extension, the District shall deliver to the Bank a new Note with a maturity date that matches the extended Maturity Date and a favorable opinion of bond counsel to the District as to the validity of such exchanged Note and such other matters as the Bank may reasonably request. All documents so delivered to the Bank, together with any additional items required by the Bank as conditions precedent to extending the existing Maturity Date, shall be satisfactory in form and substance to the Bank.

Notwithstanding anything in this section to the contrary, the Bank shall be under no obligation to extend the Notes beyond the December 31, 2020 Maturity Date.

Section 5. Prepayment. 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. If a Note is prepaid in full, interest shall cease to accrue on the date such prepayment occurs.

Section 6. Payment of the Notes; Security.

A. Each 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 Notes.

B. The District hereby covenants that on or before an installment of principal of or interest on the Notes 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 Notes as the same becomes due. The Notes 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, the Junior Lien Bonds and any Future Parity Bonds. The Notes shall not be deemed to constitute general obligations or a pledge of the faith and credit of the District.

Section 7. Revenue Fund. The District covenants that so long as the Notes 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 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;

(iv) to make all payments required to be made into the Junior Lien Bond Account for the Junior Lien Bonds; and

(v) 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 Notes 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, the Junior Lien 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 Section 9(D) of Resolution No. 1513.

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

No. [A/B]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, 2018[A/B]

Maturity Date: December 31, 2020

Registered Owner: Washington Federal N.A.

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. 1652 of the District adopted January 16, 2018 (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 at the [Tax-Exempt Interest Rate/Taxable Interest Rate]. 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 on each January 1, April 1, July 1 and October 1, beginning on the first of those dates following the first draw on each Note, 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, 2018[A/B]." 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, any Future Parity Bonds and the Junior Lien 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. Interest shall cease to accrue on the date this Note is prepaid in full.

[The Note has been designated as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code.]

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 30th day of January, 2018.

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.

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of Registrar</u>
January 30, 2018	Washington Federal N.A. 425 Pike Street Seattle, WA 98101	Treasurer/Finance Manager

Section 9. Execution of the Notes. The Notes 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 Notes cease to be such officer before the Notes have been actually issued and delivered, the Notes 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 Notes had not ceased to be such officers, and the Notes may be signed or attested on behalf of the District by officers who at the date of actual execution of the Notes are the proper officers, although at the nominal date of execution of the Notes such officer was not an officer of the District.

Only a note that bears a Registration Certificate in the form set forth in Section 8 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 Notes so authenticated have been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 10. Sale of the Notes; Unused Commitment Fee. The sale of the Notes to the Bank, under the terms and conditions of this resolution, is hereby approved and confirmed. Upon delivery of the Notes, the District shall pay to the Bank a fee of \$10,000, and reimburse the Bank for its legal fees in an amount not to exceed \$5,000. In addition, the District agrees to pay to the Bank annually on each January 1, commencing January 1, 2019, and on the Maturity Date or such earlier date that the Notes are no longer outstanding, a fee of \$15,000 for the unused portion of the Bank's commitment, which fee shall be waived if the average annual utilization is 50% or more. "Average Annual Utilization" means the sum of the daily aggregate principal amount of all revolving credit advances on both Notes for the year, calculated at the end of each year, divided by 360.

Section 11. Default. If (A) there occurs any nonpayment of principal, interest, fees or other amounts when due under the Notes or this resolution, (B) the District fails to perform or observe covenants as set forth in this resolution, or (C) the interest on the outstanding amounts drawn under the 2018A Note cease to be tax-exempt, then the Bank at its option may increase

the interest rate on the Notes by three percentage points. Interest due on the Notes after the occurrence of a default will be payable upon demand by the Bank.

Section 12. Consent to Governing Law. The District consents and agrees to the election of Washington law to govern the Notes.

Section 13. 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; and

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

Section 14. General Covenants. The District covenants with the purchaser and owner of the Notes issued pursuant to this resolution, so long as the Notes are 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 a 1.10 times coverage of Revenues for the punctual payment of interest on the Notes and punctual payment of the principal of, premium, if any, and interest on the Outstanding Parity Bonds, the Junior Lien 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, the Bond Fund for the Outstanding Parity Bonds and any Future Parity Bonds and the Junior Lien Bond Account for the Junior Lien 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, or on a parity with the Outstanding Parity Bonds except as provided in Section 19 of Resolution No. 1513.

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 Section 18 of Resolution No. 1513.

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

Section 15. Restrictions on Contracting of Obligations Secured by Revenues. The District will not hereafter incur any indebtedness with a lien on the Net Revenue of the Electric System on a parity with the 2016 Bond without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

Section 16. Tax Covenants and Designation. The following covenants and designation only apply to the 2018A Note.

A. The District hereby covenants that it will not make any use of the proceeds of sale of the 2018A Note or any other funds of District which may be deemed to be proceeds of sale of the 2018A Note pursuant to Section 148 of the Code and the applicable regulations thereunder which will cause the 2018A 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 2018A Note) and the applicable regulations thereunder through the term of the 2018A Note. The District further covenants that it will not take any action or permit any action to be taken that would cause the 2018A Note to constitute a "private activity bond" under Section 141 of the Code.

B. The initial draw on the 2018A 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 2018A Note may be designated as a "qualified tax-exempt obligation" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met: (i) the 2018A Note does not constitute a "private activity bond" 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) 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 2018A Note is issued will not exceed \$10,000,000; and (iii) the amount of tax-exempt obligations, including the 2018A 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 2018A Note is issued does not exceed \$10,000,000. For purposes of Section 256(b)(7) of the Code, the District expects to make the initial draw on the 2018A Note in 2018, and thus the 2018A Note will be considered issued in such year.

Section 17. 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 18. 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 Notes.

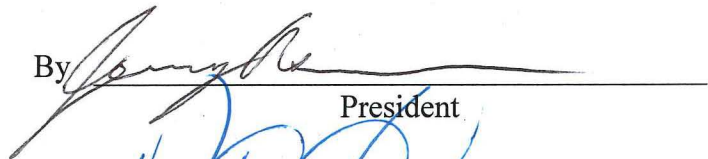
Section 19. General Authorization. The District's Interim General Manager, Auditor/Director of Accounting, Finance and Administration, Treasurer and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable 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 20. Effective Date. This resolution shall take effect immediately after its adoption.

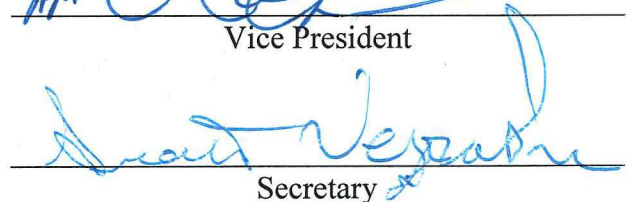
ADOPTED AND APPROVED by the Board of Commissioners of Public Utility District No. 1 of Okanogan County, Washington, at a meeting this 16<sup>th</sup> day of January, 2018.

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. 1652 of the Commission, duly adopted at a meeting thereof held on January 16, 2018.

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 16<sup>th</sup> day of January, 2018.

  
Secretary