

RESOLUTION NO. 11-02

A RESOLUTION of the Board of County Commissioners of Mason County, Washington, providing for the issuance and sale of a limited tax general obligation bond (payable from sewer revenue) of the County in the aggregate principal amount of \$5,206,200 to finance the cost of constructing sewer improvements; and fixing the form, terms and covenants of the bond.

WHEREAS, Mason County, Washington (the "County") has created a sewer utility and now owns, operates and maintains a sewerage collection and treatment system (the "System"); and

WHEREAS, the County has authorized the undertaking of additions and betterments to and extensions of the System to serve the North Bay/Case Inlet area (the "Project"); and

WHEREAS, the Board now deems it to be in the best interest of the County to provide for the permanent financing of the Project by the issuance and sale of a limited tax general obligation bond (payable from sewer revenue) that is additionally secured by revenues of the System (the "Bond");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MASON COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution the following terms shall have the following meanings:

"Board" means the Board of County Commissioners of Mason County as the general legislative authority of the County as the same shall be duly and regularly constituted from time to time.

“Bond” means the \$5,206,200 par value limited tax general obligation bond (payable from sewer revenue) of the County issued pursuant to and for the purposes provided in this resolution.

“Bond Fund” means the “Mason County RD LTGO Fund 2002” authorized to be created by Section 6 of this resolution to pay and secure the payment of the Bond.

“Costs of Maintenance and Operation” means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expenses, but excludes depreciation, payments for debt service or into reserve accounts and costs of capital additions to or replacements of the System, taxes levied by the County or payments in lieu of such taxes.

“County” means Mason County, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington,

“Gross Revenue” means all of the earnings, revenue and money, except ULID assessments, received by the County from or on account of the operation of the System including proceeds from the sale, lease or other disposition of any of the properties or facilities of the System, and the income from investments of money in the Sewer Fund and any bond fund or from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. Gross Revenue shall not include grants or bond proceeds, but shall include federal or state reimbursements of operating expenses to the extent such expenses are included as Costs of Maintenance and Operation.

“Project” means the construction of the North Bay/Case Inlet Wastewater Treatment Facility.

“Senior Lien Bonds” means any revenue bonds, revenue warrants or other revenue obligations of the County that have a lien on money in the Sewer Fund to pay and secure the payment of the principal thereof and interest thereon senior to all other revenue obligations of the System and subject to the Costs of Maintenance and Operation.

“Sewer Fund” means the Sewer Fund of the County.

“System” means the existing sewerage system of the County and such improvements or additions as may be made to such system and shall include the water supply and distribution system of the County and/or the storm drainage system of the County if either is or both are ever combined with the sanitary sewer system.

“Treasurer” means the County Treasurer of Mason County or the successor to the duties of such office.

“United States” means the United States Department of Agriculture, as the initial registered owner of the Bond.

Section 2. Authorization of Bond. For the purpose of providing permanent financing for the Project, the County shall now issue and sell its limited tax general obligation bond (payable from sewer revenue) in the aggregate principal amount of \$5,206,200 (the “Bond”).

Section 3. Description of Bond. The Bond shall be designated “Mason County, Washington, Limited Tax General Obligation Bond (Payable from Sewer Revenue), 2002,” shall be dated as of the date of delivery thereof to the United States, as the initial purchaser, shall be numbered R-1, shall be in the denomination of \$5,206,200, shall be fully registered, shall bear interest from the date of its issuance on the unpaid principal balance thereof at the rate of 4.75% per annum and shall be amortized over a 40-year period and shall be repaid in amortized annual installments of interest only for the first two annual installments equal to \$247,295, and

thereafter in installments of principal and interest equal to \$298,472, payable on the first day of the 12th month following the date of the delivery of the Bond and annually thereafter, until all principal installments of the Bond have been paid or such payment has been duly provided for; provided, however, that the final payment of all principal of and interest on the Bond shall nevertheless be due on March 1, 2042, and may be in an amount more or less than \$298,472, as required to retire the entire indebtedness plus accrued interest. Payments shall be applied first to interest and then to principal, and interest shall accrue on the basis of a 365-day year.

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the owner or owners thereof at the address appearing on the registration books of the County maintained by the Treasurer; provided, however, that as long as the United States is the owner and holder of the Bond, the County shall make payments directly to the financial office of the United States Department of Agriculture, Rural Development serving the Mason County, Washington, area.

The Bond shall be registered as to both principal and interest as long as any of the installments of the Bond remain unpaid, and the County shall maintain in the office of the Treasurer books for the registration and transfer of the Bond. No transfer of the Bond so registered shall be valid unless made on said books upon the written request of the registered owner or its duly authorized agent.

Section 4. Prepayment. The County hereby reserves the right to prepay principal installments remaining unpaid at the price of par plus accrued interest, in whole, or in part in chronological order, at any time. No advance notice of intended prepayment or redemption shall be required.

Section 5. Priority of Payments from Sewer Fund. There has been established in the office of the Treasurer a special fund of the County designated as the "Sewer Fund" (the "Sewer Fund"). All of the Gross Revenue shall be deposited in the Sewer Fund as collected. The Sewer Fund shall be held separate and apart from all other funds and accounts of the County, and the Gross Revenue deposited in the Sewer Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation;

Second, to pay the interest on any Senior Lien Bonds;

Third, to pay the principal of any Senior Lien Bonds;

Fourth, to make all payments required to be made into any reserve account created to secure the payment of Senior Lien Bonds;

Fifth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and debt service account or reserve account created to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the County having a lien upon the Gross Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Senior Bonds including any Department of Ecology loans;

Sixth, to pay the principal of and interest on the Bond and any other limited tax general obligation of the County that is also payable from Gross Revenue; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the County, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System of the County, or for any other lawful County purposes.

Section 6. Bond Fund. A special fund of the County designated as the “Mason County RD Limited Tax General Obligation Bond 2002” (the “Bond Fund”) is hereby authorized to be created in the office of the Treasurer, which fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Bond.

Section 7. Pledge of Taxation and Credit. The County hereby irrevocably covenants and agrees for as long as any installments of the Bond are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all assessments in the North Bay Case Inlet ULID, other sewer revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bond as the same shall become due. All of such taxes so collected shall be paid into the Bond Fund no later than the date such funds are required for the payment of principal and interest on the Bond.

The County hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the County prior to the full payment of the principal of and interest on the Bond will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bond.

The full faith, credit and resources of the County are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bond as the same shall become due.

Section 8. Pledge of Sewer Revenue. As long as the Bond remains outstanding, the County hereby irrevocably obligates and binds itself to set aside and pay from the Sewer Fund

into the Bond Fund, those amounts necessary, after taking into consideration such other funds as are on hand in the Bond Fund and available for the payment of principal and interest on the Bond, to pay the interest or principal and interest next coming due on the Bond. Such payments from the Sewer Fund shall be made on or before the day on which the regular semiannual payment of principal of and interest on the Bond is due and payable in an amount equal to such regular semiannual payment.

Said amounts so pledged to be paid into the Bond Fund out of the Sewer Fund are hereby declared to be a lien and charge upon Gross Revenue and the money in the Sewer Fund junior, subordinate and inferior to the Costs of Maintenance and Operation, junior, subordinate and inferior to the lien and charge thereon of any lien and charge that may hereafter be made to pay and secure the payment of any Senior Lien Bonds and other sewer revenue obligations that the County may issue. Nothing in this Resolution shall restrict the County's right to issue future sewer revenue obligations with a lien on Gross Revenue superior to the lien of the Bond.

Section 9. Tax Covenants; Special Designation.

A. The County hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the County that may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code that will cause the Bond to be an "arbitrage bond" within the meaning of said section and said regulations.

The County further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute a "private activity bond" under Section 141 of the Code.

B. Special Designation. The County hereby designates the Bond as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code for investment by financial

institutions. The County does not anticipate issuing more than \$10,000,000 of qualified tax-exempt obligations during 2002.

Section 10. Transfer. The Bond may be transferred by the registered owner thereof, provided that such transfer relates to the entire unpaid principal amount of the Bond, and any such transfer shall be noted on the bond registration books of the County.

Section 11. Lost or Destroyed Bond. In case the Bond shall be lost, stolen or destroyed, the County may execute and deliver a new bond of like date, number and tenor to the registered owner thereof in the manner provided by law and upon the owner paying the expenses and charges of the County in connection therewith.

Section 12. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1

\$5,206,200

STATE OF WASHINGTON

MASON COUNTY
LIMITED TAX GENERAL OBLIGATION BOND
(PAYABLE FROM SEWER REVENUE), 2002

Mason County, Washington, a municipal corporation of the State of Washington (the "County"), acknowledges itself indebted and for value received promises to pay, but solely from the Bond Fund, hereinafter identified, to the United States of America (herein sometimes called the "Payee"), or its registered assigns (herein sometimes called the "Alternate Payee"), the principal sum of

FIVE MILLION TWO HUNDRED SIX THOUSAND TWO HUNDRED
AND NO/100 DOLLARS (\$5,206,200)

in any coin or currency which is legally acceptable on the respective dates of payments for debts due the United States of America, and to pay interest, from the date hereof, on the balance of said principal from time to time remaining unpaid in like coin or currency at the rate of 4.75% per annum payable in annual installments of interest only for the first two annual installments equal to \$247,295, and thereafter in installments of principal and interest equal to \$298,472, payable on each March 1, until all of such installments have been paid or such payment has been duly

provided for, provided that the final payment of principal of and interest on this bond shall nevertheless be due on March 1, 2042.

As long as the Payee is the registered owner of this bond, payments of principal and interest shall be made by the County Treasurer directly to the Payee at the office of the Payee serving Mason County, Washington. As long as the Alternate Payee is the registered owner of this bond, said payment shall be made at the office of the County Treasurer. Upon final payment of the principal of and interest on this bond, it shall be submitted to the County for cancellation and surrender.

Both principal of and interest on this bond are payable solely out of the special fund of the County known as the "Mason County Limited Tax General Obligation Bond Redemption Fund" (the "Bond Fund") created by a Resolution of the Board adopted on February 12, 2002 (the "Bond Resolution").

In addition to the installments of principal required to be paid by the County as hereinabove set forth, the County, at its option, shall have the right to prepay any or all unpaid principal installments in the chronological order of such installments at any time. No advance notice need be given of any prepayment hereunder.

This bond is issued pursuant to the Bond Resolution for the purpose of financing the completion of certain additions and improvements to the sewerage system of the County (the "System"). Capitalized terms used in this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The County has irrevocably covenanted and agreed with the owner of this bond that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to counties without a vote of the people, upon all the property subject to taxation, in an amount sufficient, together with all other moneys legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the County are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The County further does hereby pledge and bind itself to set aside from the Gross Revenue and to pay into the Bond Fund the various amounts required by the Bond Resolution to be paid into and maintained in said Fund, on the dates and at the times provided by the Bond Resolution.

Reference is made to the Bond Resolution for a more complete description of the covenants with and the rights of the owner of this bond. The County hereby covenants and agrees with the owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Resolution to be by it kept and performed.

This bond may be assigned, and upon such assignment the assignor shall promptly notify the County Treasurer by registered mail.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and Resolutions of the County, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, Mason County, Washington, has caused this bond to be signed on behalf of the County with the manual or facsimile signature of the Chairman of the Board of County Commissioners, to be attested by the manual signature of the Clerk of the Board, and the seal of the County to be impressed hereon, as of this 1st day of March, 2002.

MASON COUNTY, WASHINGTON

/s/
Chairman, Board of Commissioners

ATTEST:

/s/
Clerk of the Board

[COUNTY SEAL]

REGISTRATION CERTIFICATE

This bond is registered in the name of the owner on the books of the County in the office of the County Treasurer as to both principal and interest as noted in the registration blank below. No transfer hereof shall be valid unless made by the registered owner or his/her duly authorized agent in writing, and similarly noted hereon and on the bond registration books of the County. All payments of principal of and interest on this bond shall be made by the County with full acquittance by County Treasurer's check, or by warrant of the County drawn on the Treasurer, made payable to the last registered holder shown hereon and delivered to such owner or mailed to his/her at his/her address noted hereon.

| <u>Date of Registration</u> | <u>Name and Address of Registered Owner</u> | <u>Signature of Registrar</u> |
|-----------------------------|---|-------------------------------|
| March 1, 2002 | United States of America, Rural Development 1835 Black Lake Blvd. SW Suite C Olympia, WA 98501-5716 | |
| | | |
| | | |

The Bond shall have endorsed thereon the following form of assignment:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner thereof hereby sells, assigns and transfers the within bond unto _____.

DATED _____

SIGNATURE GUARANTEED:

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

(Repeat this form of assignment)

Section 13. Execution of the Bond. The Bond shall be executed on behalf of the County with the manual or facsimile signatures of the Chair of the Board and the Clerk of the Board, and shall have the seal of the County impressed or imprinted thereon.

In case either or both of the officers who shall have executed the Bond shall cease to be an officer or officers of the County before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the County, such Bond may nevertheless be authenticated, delivered and issued, and upon such authentication, delivery and issuance, shall be as binding upon the County as though those who signed the same had continued to be such officers of the County. The Bond also may be signed and attested on behalf of the County by such persons as at the actual date of execution of the Bond shall be the proper officers of the County although at the original date of the Bond any such person shall not have been such officer of the County.

Only such Bond as shall bear thereon a Registration Certificate in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Registration Certificate shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

Section 14. Sale of Bond. The Bond shall be sold to the United States at a price of par on the terms and conditions set forth herein.

Section 15. Application of Bond Proceeds. The principal proceeds of the sale of the Bond shall be paid into the Wastewater North Bay Case Inlet Fund and shall be utilized to repay the loans from the Department of Ecology and any other costs of the Project.

Section 16. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the County shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

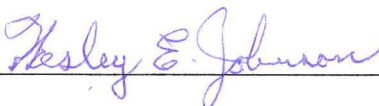
Section 17. General Authorization. The members of the Board, the Clerk of the Board, the Treasurer and all other appropriate officers of the County are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this resolution.

Section 18. Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified and confirmed.

Section 19. Effective Date. This resolution shall become effective immediately upon adoption.

ADOPTED by the Board of County Commissioners of Mason County, Washington, at a regular meeting thereof held this 12th day of February, 2002.

MASON COUNTY, WASHINGTON







Commissioners

ATTEST:



Clerk of the Board

CERTIFICATE

I, the undersigned, Clerk of the Board of County Commissioners (the "Board") of Mason County, Washington (the "County"), DO HEREBY CERTIFY:

1. That the attached Resolution No. 11-02 (the "Resolution") is a true and correct copy of a resolution of the Board as adopted at a regular meeting thereof held on the 12th day of February, 2002, and duly recorded in my office.

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 Board 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the County this 12th day of February, 2002.



Clerk of the Board

[County Seal]