

NORTH BEACH WATER DISTRICT,  
PACIFIC COUNTY, WASHINGTON  
WATER REVENUE REFUNDING BONDS, 2021 (TAXABLE)

RESOLUTION NO. 5-2021

A Resolution of the Board of Commissioners of North Beach Water District, Pacific County, Washington authorizing the issuance of estimated not to exceed \$3,500,000 principal amount of water revenue refunding bonds to refund certain outstanding bonds of the District; providing certain conditions of the bonds to be issued; reserving the right to issue revenue bonds on a parity with the bonds herein authorized upon compliance with certain conditions; authorizing a preliminary official statement; authorizing the approval of an undertaking for ongoing disclosure and compliance policy; and delegating authority to approve the final terms of such bonds.

Approved: March 22, 2021

Prepared by:

K&L GATES LLP  
Seattle, Washington

NORTH BEACH WATER DISTRICT  
PACIFIC COUNTY, WASHINGTON  
RESOLUTION NO. 5-2021  
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Exhibit A — Form of Escrow Deposit Agreement

Exhibit B — Form of Costs of Issuance Agreement

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\* This table of contents and the cover page provided for convenience of the reader only and are not a part of this resolution.

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A Resolution of the Board of Commissioners of North Beach Water District, Pacific County, Washington authorizing the issuance of estimated not to exceed \$3,500,000 principal amount of water revenue refunding bonds to refund certain outstanding bonds of the District; providing certain conditions of the bonds to be issued; reserving the right to issue revenue bonds on a parity with the bonds herein authorized upon compliance with certain conditions; authorizing a preliminary official statement; authorizing the approval of an undertaking for ongoing disclosure and a compliance policy; and delegating authority to approve the final terms of such bonds.

WHEREAS, North Beach Water District, Pacific County, Washington (the “District”) operates a domestic water supply and distribution system (the “System”); and

WHEREAS, pursuant to Resolution No. 13-2013 (the “2013 Bond Resolution”) adopted by the Board of Commissioners of the District (the “Board”) on May 20, 2013, the District has issued its Water Revenue Refunding and Bonds, 2013 dated June 25, 2013 in the aggregate principal amount of \$3,600,000, which remain outstanding as follows:

<u>Maturity Year (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022*	\$ 335,000	4.00%
2026*	750,000	4.00
2029*	645,000	4.70
2032*	745,000	5.00

\* Term Bonds  
(the “2013 Bonds”); and

WHEREAS, the 2013 Bonds maturing on December 1 in the years 2026, 2029 and 2032 are subject to redemption, at the option of the District, on any date on or after June 1, 2023 (hereinafter defined as the “Refunded Bonds”), in whole or in part, and if in part, at the price of par, plus accrued interest to the date fixed for redemption; and

WHEREAS, the 2013 Bond Resolution permits the District to issue additional revenue bonds on a parity with the 2013 Bonds if certain conditions are satisfied; and

WHEREAS, after due consideration it appears to the Board that at the District may be able to realize substantial savings to the District and ratepayers of the System by refunding the Refunded Bonds from the proceeds of taxable refunding bonds of the District; and

WHEREAS, the Board wishes to delegate authority to the President of the Board and/or the General Manager (or such other person as the Board may direct) (as defined herein, the “District Representative”) to approve the sale of the Bonds to be underwritten by Martin Nelson & Co., Inc. (the “Underwriter”) and to approve the dates, final principal amounts, interest rates, payment dates, redemption provisions, and other provisions for the Bonds, on the terms and conditions set forth in this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF NORTH BEACH WATER DISTRICT, PACIFIC COUNTY, WASHINGTON, as follows:

Section 1.     Definitions. As used in this resolution the following definitions shall apply unless a different meaning clearly appears from the context:

*Acquired Obligations* means the Government Obligations that are noncallable direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America , if any, now or hereafter acquired by the District under the terms of this resolution and the Escrow Agreement, to effect the defeasance and refunding of the Refunded Bonds.

*Annual Debt Service* for any fiscal year or calendar year means the sum of: (a) the interest on all Parity Bonds due in such year, excluding, however, any interest to be paid from the proceeds of such Parity Bonds, and (b) the principal of all Parity Bonds due in such year, either as maturing principal of Serial Bonds or mandatory redemption payments for Term Bonds. If the interest rate

on any such Parity Bonds is other than a fixed rate, the rate applicable at the time of the computation shall be used.

**Assessments** means assessments (including interest and penalties) levied in any utility local improvement district of the District for the acquisition or construction of additions and improvements to and extension of the System, if such assessments are pledged to be paid into the Bond Fund.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

**Bond Fund** means the Water Revenue Bond Redemption Fund created by the 2013 Bond Resolution and maintained to pay and secure the payment of the Bonds, the Outstanding Parity Bonds and any Future Parity Bonds.

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

**Bonds** means the North Beach Water District, Pacific County, Washington Water Revenue Refunding Bonds, 2021 (Taxable) issued pursuant to this resolution.

**Call Date** means the date determined by the District Representative as the date on which the Refunded Bonds will be redeemed and retired, expected to be June 1, 2023.

**Cost of Issuance Agreement** means the agreement of that name, to be entered into by and between the District and the Escrow Agent, providing for the payment of certain costs of issuance with respect to the issuance of the Bonds.

***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 District or payments in lieu of taxes.

***District*** means North Beach Water District, Pacific County, Washington, or any successor to the rights and obligations of the District.

***District Representative*** means the President of the Board, the General Manager of the District or other official or employee of the District designated in writing by the President of the Board or General Manager.

***DTC*** means The Depository Trust Company or its successor in function.

***Escrow Agent***, means U.S. Bank National Association, Seattle, Washington.

***Escrow Agreement*** means the Escrow Deposit Agreement, by and between the District and the Escrow Agent to be dated as of the date of closing and delivery of the Bonds, authorized to be executed pursuant to Section 15 of this resolution, substantially in the form attached hereto as Exhibit A.

***Future Parity Bonds*** means any water revenue bonds which the District may hereafter issue having a lien upon the Gross Revenue of the System for the payment of the principal thereof and interest thereon equal to the lien upon the Gross Revenue of the System of the Outstanding Parity Bonds and the Bonds.

***Government Obligations*** has the meaning given such term in RCW Ch. 39.53, as such chapter may be hereafter amended or restated.

***Gross Revenue*** means all earnings, revenue and money, except Assessments, received by the District from or on account 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 Revenue 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.

**Letter of Representations** means the Blanket Issuer Letter of Representations from the District to DTC.

**Maximum Annual Debt Service** means highest dollar amount of Annual Debt Service in any fiscal year for all outstanding Parity Bonds.

**Net Revenue** means the Gross Revenue less the Costs of Maintenance and Operation.

**Outstanding Parity Bonds** mean the outstanding 2013 Bonds (and following the issuance of the Bonds will include only the 2013 Bonds maturing in 2022).

**Parity Bonds** means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

**Professional Utility Consultant** means the independent person(s) or firm(s) selected by the District having a favorable reputation for skill and experience with water systems of comparable size character to the System in such areas as are relevant to the purposes for which they are retained.

**Purchase Contract** means the Purchase Contract relating to the Bonds between the District and the Underwriter as approved by a District Representative pursuant to Section 16 of this resolution.

**Rate Stabilization Account** means the special account of that name created pursuant to Section 8(b) of the 2013 Bond Resolution.

**Record Date** means the close of business on the 15th day prior to each day on which a payment of interest on the Bonds is due and payable.

**Refunded Bonds** means the callable 2013 Bonds, which are Term Bonds, maturing on December 1, in the years 2026, 2029 and 2032, in the aggregate principal amount of \$2,140,000.

**Registered Owner** means the person in whose name the Bond is registered on the Bond Register.

**Registrar** means, initially, the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds. The term **Registrar** shall include any successor to the fiscal agent, if any, hereinafter appointed by the Treasurer.

**Reserve Account** means the account of that name within the Bond Fund created pursuant to the 2013 Bond Resolution and continued pursuant to this resolution.

**Reserve Requirement** means the lesser of (i) Maximum Annual Debt Service and (ii) 1.25 times average Annual Debt Service; *provided, however*, that the Reserve Requirement shall not exceed an amount equal to 10% of the aggregate of the initial par amount of each issue of Parity Bonds. The Reserve Requirement shall be re-calculated annually.

**Revenue Fund** means the special fund of the District known as the “North Beach Water District Water System Revenue Fund” maintained in the office of the Treasurer and continued pursuant to this resolution.

**Rule** means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SEC** means the United States Securities and Exchange Commission.

**Serial Bonds** means Parity Bonds other than Term Bonds.



***Subordinate Lien Obligations*** mean revenue obligations of the District having a lien on Gross Revenue subordinate to the lien thereon of Parity Bonds. The District currently has two Public Works Trust Fund Loans and two Drinking Water State Revolving Fund Loans, which are junior lien obligations to Parity Bonds.

***System*** means the District's system of domestic water supply and distribution, as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding.

***Term Bonds*** means any Parity Bonds identified as Term Bonds in the resolution authorizing the issuance thereof or the Purchase Contract therefor, the payment of the principal of which is provided for by a mandatory redemption schedule and corresponding deposits into the Bond Fund to pay for such mandatory redemptions.

***Treasurer*** means the Pacific County Treasurer, as *ex officio* treasurer of the District, or any successor to the function of such Treasurer.

***2013 Bond Resolution*** means Resolution No. 13-2013 adopted by the Board on May 20, 2013, authorizing the issuance of the 2013 Bonds.

***2013 Bonds*** means the District's Water Revenue Refunding Bonds, 2013 issued pursuant to the 2013 Bond Resolution, in the original principal amount of \$3,600,000, which are currently outstanding in the principal amount of \$2,475,000.

***Underwriter*** means Martin Nelson & Co., Inc., Seattle, Washington.

**Rules of Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article,

section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof:

(f) Words importing the singular number include the plural number and vice versa.

Section 2.     Satisfaction of Parity Conditions. The District has reserved the right to issue Future Parity Bonds upon compliance with certain conditions as set forth in Section 14 of the 2013 Bond Resolution (the “Parity Conditions”).

The District hereby finds and determines as follows:

First, that at the time of adoption of this resolution and at the time of the issuance and delivery of the Bonds, there is no, nor will there be any, deficiency in the Bond Fund;

Second, the principal of and interest on the Bond shall be payable out of the Bond Fund and that by Section 8(b) of this resolution, the District has covenanted and provided that the Reserve Requirement shall be funded no later than the date of delivery of the Bonds;

Third, the Bonds are being issued for the purpose of refunding outstanding Parity Bonds of the District.

The Parity Conditions being complied with or assured, the Bonds shall have a lien and charge upon Net Revenue of the System for the payment of the principal thereof and interest thereon equal to the lien and charge upon the Net Revenue of the System and the Outstanding Parity Bonds.

Section 3. Authorization of the Bonds and Bond Details In order to refund the Refunded Bonds, and pay costs of issuance, the District shall issue and sell water revenue refunding bonds estimated to be not greater than \$3,500,000, but in any event not to exceed the cost of an escrow funded to retire the principal and interest due on the Refunded Bonds up to the call date of the Refunded Bonds, plus the costs of issuance and achieve the savings target acceptable to the District (the “Bonds”). The costs of issuance may include original issue premium, original issue discount and professional fees associated with issuing the Bonds. The Bonds shall be designated as the “North Beach Water District, Pacific County, Washington, Water Revenue Refunding Bonds, 2021 (Taxable); shall be dated as of their date of original issuance and delivery; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof within a maturity, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification; and shall bear interest from their date payable semiannually on the first days of each June and December, commencing on the date set forth in the Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Purchase Contract, all as approved by the District Representative pursuant to Section 16.

The Bonds shall be obligations only of the Bond Fund and shall be payable and secured as provided herein. The Bonds shall not be general obligations of the District.

Section 4. Redemption and Purchase of Bonds.

(a) *Optional and Mandatory Redemption.* The Bonds may be subject to optional and mandatory redemption at any time prior to scheduled maturity under terms approved by the District Representative in the Purchase Contract pursuant to Section 16 of this resolution.

(b) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (b). If the District redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the District and the Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(c) *Purchase of Bonds.* The District reserves the right to use at any time any surplus Revenue of the System available after providing for the payments required by paragraphs First, through Sixth of Section 8(a) of this resolution, or other available funds, to purchase any of the

Bonds at any price deemed reasonable by the District to purchase any of the Bonds offered to the District at any price deemed reasonable to the District.

(d) *Effect of Optional Redemption/Purchase.* To the extent that the District shall have optionally redeemed or purchased any Term Bonds prior to scheduled mandatory redemption of such Term Bonds, the District may reduce the principal amount of the Term Bonds to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by a District Representative.

(e) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (e). If the District redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot (or in such manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the District and the Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(f) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be conditional) shall be given to DTC within the time

period provided in the following provisions for further dissemination in accordance with the operational arrangements of DTC as then in effect, and neither the District nor the Registrar will provide any notice of redemption to any beneficial owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption shall be conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the District by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

All official notices of redemption for Bonds shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) any conditions to redemption, if the notice of redemption is a conditional notice,
- (E) unless the notice was conditional and the conditions have not been satisfied or if the District has not revoked a notice of redemption that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

On or prior to any redemption date, unless the redemption notice has been rescinded or the redemption was conditional and the conditions for the redemption have not been satisfied or if the District has not revoked a conditional notice, the District shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(2) Additional Notice. In addition to the foregoing notice, further notice shall be given by the District as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 17, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the District shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(3) Amendment of Notice Provisions. The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in

order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

(g) *Effect of Redemption.* Unless the District has revoked a notice of optional redemption (or unless the District provided a conditional notice and the conditions for redemption set forth therein are not satisfied), the District shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all the Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the redemption of Bonds then from and after the date fixed for redemption for such Bond or portion thereof, interest on each such Bond shall cease to accrue and such Bond or portion thereof shall cease to be outstanding. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Section 5. Registration, Exchange and Payments.

(a) *Registrar/Bond Register.* The District hereby requests that the Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agents. The District shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the District Representative upon prior notice to the Registrar, DTC, each party entitled to receive notice pursuant to an ongoing disclosure undertaking pursuant to Section 17 and a successor Registrar appointed by the District Representative. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged



in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The District and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in an ongoing disclosure undertaking pursuant to Section 17 of this resolution), and neither the District nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 5(g) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 5(g) shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the District shall execute and deliver to DTC a Letter of Representations.

Neither the District nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the District to the Registrar or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes

hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of “Cede & Co.,” as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the District Representative pursuant to subsection (2) below or such substitute depository’s successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the District Representative to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the District Representative may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the District Representative, issue a single new Bond for each maturity of the Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the District Representative.

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

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination or denominations. The Registrar shall not be

obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

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

(g) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided to the parties entitled to receive payment as of each Record Date in accordance with the operational arrangements of DTC referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register as of the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Registrar at least fifteen (15) days prior to the applicable payment date), such payment shall be made by the Registrar by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds of each series shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar.

If any Bond shall be duly presented for payment on a principal and/or interest payment date and funds have not been duly provided by the District on the applicable date, then interest

shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

Section 6.     Form of Bonds. The Bonds shall be in substantially the following form:

[DTC Legend]

UNITED STATES OF AMERICA

NO. \_\_\_\_\_

\$ \_\_\_\_\_

STATE OF WASHINGTON

NORTH BEACH WATER DISTRICT  
PACIFIC COUNTY

WATER REVENUE REFUNDING BOND, 2021 (TAXABLE)

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ AND NO/100 DOLLARS

North Beach Water District, Pacific County, Washington (the “District”), a municipal corporation of the State of Washington, for value received hereby promises to pay to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from \_\_\_\_\_, 2021, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_ 1, 20\_\_\_\_, and semiannually thereafter on the first day of each succeeding \_\_\_\_\_ and \_\_\_\_\_. Both principal of and interest on this bond are payable in lawful money of the United States of America.

For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the District to DTC. The fiscal agent of the state of Washington is acting as the registrar, authenticating agent and paying agent for the bond of this issue (the “Registrar”).

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”), and is issued pursuant to Resolution No. 5-2021, adopted by the Board on March 22, 2021 (the “Bond Resolution”), for the purpose of refunding certain outstanding water revenue bonds of the District. Capitalized terms used in this bond and not otherwise defined herein have the meanings given those terms in the Bond Resolution.

This bond is subject to redemption as provided in the Bond Resolution and the Purchase Contract.

The District has taken no action to cause interest on this bond to be exempt from federal income taxation.

Principal of and interest on the Bonds are payable solely out of the special fund of the District known as the “Water Revenue Bond Redemption Fund” (the “Bond Fund”). The District 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.

This bond is payable from Net Revenue. By the Bond Resolution, the District has pledged Net Revenue for the payment when due of all amounts required by the Bond Resolution to be paid out of the Revenue Fund into the Bond Fund. The amounts so pledged are a lien and charge on Net Revenue equal to the lien and charge thereon of the Outstanding Parity Bonds and Future Parity Bonds and superior to all other charges of any kind or nature. The District has reserved the right to issue Future Parity Bonds upon compliance with the conditions set forth in the Bond Resolution.

The District has further bound itself to maintain the System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges in each calendar year that will make available, for the payment of the principal of and interest on outstanding Parity Bonds as the same shall become due, Net Revenue in an amount that will be equal to at least 1.25 times Annual Debt Service for such year (after deducting Assessments actually collected for such year).

The pledge of Net Revenue and other obligations of the District under the Bond Resolution may be discharged at or prior to the maturity or prepayment of this bond issue upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

This bond is a special limited obligation of the District and is not an obligation of Pacific County, the State of Washington or any political subdivision thereof other than the District, and neither the full faith and credit nor the taxing power of the District or Pacific County or the State of Washington is pledged to the payment of this bond.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Registration Certificate hereon shall have been manually signed by the Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened and to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this bond, together with all other obligations or indebtedness of the District, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, the North Beach Water District, Pacific County, Washington, has caused this bond to be signed by the manual or facsimile signature of the President of the District’s Board of Commissioners, attested by the manual or facsimile signature of the Secretary of the Board and the seal of the District to be impressed, imprinted or otherwise reproduced hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, 2021.

[SEAL]

NORTH BEACH WATER DISTRICT,  
PACIFIC COUNTY, WASHINGTON

By \_\_\_\_\_ /s/  
President, Board of Commissioners

Attest:

\_\_\_\_\_/s/  
Secretary, Board of Commissioners

The Certificate of Authentication printed on the Bonds shall be substantially in the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Water Revenue Refunding Bonds, 2021 (Taxable) of the District, dated \_\_\_\_\_, 2021.

WASHINGTON STATE FISCAL AGENT,  
Registrar

By \_\_\_\_\_  
Authorized Signer

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the District with the manual or facsimile signature of the President of the Board, shall be attested by the manual or facsimile signature of the Secretary of the Board and the seal of the District or facsimile thereof affixed or otherwise imprinted on each Bond.

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

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

Section 8. Revenue Fund; Rate Stabilization Account.

(a) *Revenue Fund.* A special fund of the District designated as the “North Beach Water District Water System Revenue Fund” (the “Revenue Fund”) has heretofore been created in the office of the Treasurer. The District obligates and binds itself to pay all Gross Revenue as collected into the Revenue Fund. The money in the Revenue Fund shall be held separate and apart from all other funds and accounts of the District. From and after the date of issuance of the Bonds, the Gross Revenue deposited in the Revenue 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 and to maintain a balance in the Revenue Fund sufficient to enable the District to meet Costs of Maintenance and Operation on a current basis;

SECOND, to make all payments required to be made into the Bond Fund to pay when due the interest on any Parity Bonds;

THIRD, to make all payments required to be made into the Bond Fund to pay when due the principal of any Parity Bonds;



FOURTH, to make all payments required to be made into the Reserve Account within the Bond Fund;

FIFTH, to make all payments required to be made with respect to Subordinate Lien Obligations or into any revenue bond redemption fund, debt service account, or reserve account created to pay or secure Subordinate Lien Obligations; and

SIXTH, to retire by redemption or purchase any outstanding water revenue bonds or other water revenue obligations of the District, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful District purpose.

(b) *Rate Stabilization Account.* A special account of the District designated as the “North Beach Water District Water System Rate Stabilization Account” (the “Rate Stabilization Account”) has heretofore been created in the office of the Treasurer. In accordance with the provisions of subsection (a) above, the District may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Account and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate water rate increases or for other lawful purposes of the District related to the System.

Section 9. Bond Fund. There is maintained in the office of the Treasurer a fund of the District known as the “North Beach Water District Water Revenue Bond Redemption Fund” (the “Bond Fund”), which fund shall be drawn upon for the sole purpose of paying the principal of, premium if any, and interest on Parity Bonds. The money in the Bond Fund shall be kept separate and apart from all other funds and accounts of the District and shall be a trust fund for the owners of Parity Bonds.

(a) *Debt Service Account.* A special account known as the Debt Service Account has heretofore been created in the Bond Fund for the purpose of paying the principal of, premium, if

any, and interest on Parity Bonds. As long as any Parity Bonds remain outstanding, the District irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Debt Service Account, on or before each date on which a payment of principal of and/or interest next coming due on the Bonds, an amount that, together with money in the Debt Service Account available therefor, shall be sufficient to pay such installment when due.

The District covenants that in the event it issues any Future Parity Bonds, it will provide in each resolution authorizing the issuance of the same for timely payments to be made from the Revenue Fund into the Debt Service Account in the Bond Fund sufficient, together with any other money in such account available therefor, to provide for the payments of principal of and interest on such Future Parity Bonds, including payments to satisfy the mandatory redemption requirements with respect to any Term Bonds.

(b) *Reserve Account.* A special account known as the Reserve Account has heretofore been created in the Bond Fund for the purpose of securing the payment of principal of and interest on all Parity Bonds. The District covenants that it will satisfy the Reserve Requirement for the Bonds by depositing into the Reserve Account, on or prior to the issuance of the Bonds, proceeds of the Bonds together with other funds of the District so that the balance in the Reserve Account is at least equal to the Reserve Requirement.

The District further covenants and agrees that in the event it issues any Future Parity Bonds it will provide in each resolution authorizing the issuance of such Future Parity Bonds that on or prior to the date of issuance of such Future Parity Bonds money will be deposited into the Reserve Account, from proceeds of those Future Parity Bonds or other funds available therefor, in an amount sufficient, together with funds already on deposit in the Reserve Account, so that the total amount of money in the Reserve Account will at least equal the Reserve Requirement.

The District further covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Reserve Requirement, as re-calculated in each calendar year. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all outstanding Parity Bonds, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Parity Bonds secured thereby. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on the outstanding Parity Bonds secured by such Reserve Account, as long as the money remaining on deposit in such Reserve Account is at least equal to the Reserve Requirement determined with respect to the Parity Bonds then outstanding.

If outstanding Parity Bonds are refunded, the money set aside in the Reserve Account to secure the payment thereof may be used to retire Parity Bonds.

If there occurs a deficiency in the Debt Service Account to meet maturing installments of either interest on or principal of and interest on the outstanding Parity Bonds payable out of the Debt Service Account, the deficiency must be made up from the Reserve Account by the withdrawal of money therefrom and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency. Any deficiency created in the Reserve Account by reason of any such withdrawal must then be made up from money in the Revenue Fund first available after making the payments required to be made under paragraphs "FIRST" through "THIRD" of Section 8(a) of this resolution.

(c) *Lien of Bond Fund.* The Bonds shall be payable from Net Revenue. The District hereby pledges Net Revenue for the payment when due of all amounts required by this resolution to be paid out of the Revenue Fund into the Bond Fund. Said amounts so pledged are hereby

declared to be a lien and charge on Net Revenue equal to the lien and charge thereon of the Outstanding Parity Bonds and any Future Parity Bonds and superior to all other charges of any kind or nature.

(d) *Investment of Money in Bond Fund.* All money in the Debt Service Account in the Bond Fund may be kept in cash or invested in any legal investment for District funds maturing not later than the last maturity of the Parity Bonds outstanding at the time of such purchase. Interest earned on or profits made from the sale of such investments shall be deposited in and become a part of the Revenue Fund.

Section 10. Covenants and Agreements. The District covenants with the owner of each of the Parity Bonds for as long as any of the same remain outstanding as follows:

(a) *Rates and Charges.* The District will establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System, and shall adjust such rates and charges from time to time so that:

(1) Gross Revenue will at all times be sufficient (a) to pay all Costs of Maintenance and Operation and to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts that the District may now be and hereafter become obligated to pay from Gross Revenue by law or contract, and, together with Assessments actually collected, (b) to pay the principal of and interest on all outstanding Parity Bonds as and when the same become due and payable.

(2) Net Revenue in each calendar year will equal at least 1.25 times Annual Debt Service for such year (after deducting from Annual Debt Service the amount of Assessments actually collected for such year). For the purpose of meeting the requirement of this paragraph there may be added to Net Revenue for any calendar year any amount withdrawn from the Rate

Stabilization Account and deposited in the Revenue Fund. There shall be subtracted from Net Revenue for any calendar year any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Account in such calendar year.

(b) *Maintenance of System.* The District will at all times keep and maintain the System in good repair, working order and condition, and will at all times operate the same and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Sale or Disposition of the System.* The District will not sell or otherwise dispose of the System in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment into the Bond Fund of cash or Government Obligations sufficient together with interest to be earned thereon to pay the principal of and interest on all then outstanding Parity Bonds, nor will it sell or otherwise dispose of any part of the useful operating properties of the System unless such facilities are replaced or provision is made for payment into the Bond Fund of the greater of:

(1) An amount that will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

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

The proceeds of any such sale or disposition of a portion of the properties of the System (to the extent required above) shall be paid into the Bond Fund.

Notwithstanding any other provision of this subsection, the District may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the System with a value less than 5% of the net utility plant of the System or that has become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into either Bond Fund.

(d) *Collection of Assessments.* The District shall promptly collect all Assessments levied in any utility local improvement district now or hereafter created to secure the payment of the principal of and interest on any Parity Bonds and shall pay the same into the Bond Fund. It is hereby provided further, however, that nothing in this resolution or in this subsection shall be construed to prohibit the District from issuing revenue bonds having a lien on Net Revenue subordinate to the lien on such revenue for the payment of the principal of and interest on the Parity Bonds and pledging as security for the payments of such subordinate lien bonds assessments levied in any utility local improvement district that may be created to pay part or all the cost of improvements to the System for which such subordinate lien revenue bonds were specifically issued.

(e) *Books and Accounts.* The District will maintain complete books and records relating to the operation of the System and its financial affairs and will cause such books and records to be audited in accordance with state law.

(f) *Insurance.* The District will carry the type of insurance on the property of the System in the amounts normally carried by water utilities together with public liability insurance, if obtainable at rates the District finds reasonable. The cost of such insurance shall be a Cost of Maintenance and Operation. In lieu of any such insurance, the District may implement a self-

insurance or a self-insurance pool program with reserves adequate, in the reasonable judgment of the Board, to protect the District against loss.

(g) *Delinquencies.* The District will promptly collect all service charges and Assessments, determine in a timely manner all delinquencies, and take all necessary legal action to enforce collection of such delinquencies.

(h) *No Free Service.* Except as permitted by law, the District will not furnish any service of the System to any customer free of charge.

Section 11. Tax Status. The District has taken no action to cause the interest on the Bonds to be excluded from federal income taxation.

Section 12. Adequacy of Revenues. The Board declares that in fixing the amounts to be paid into the Bond Fund as hereinbefore provided it has exercised due regard for the Costs of Maintenance and Operation and has not obligated the District to set aside and pay into the Bond Fund a greater amount of money from the Revenue Fund than in its judgment will be available over and above such Costs of Maintenance and Operation.

Section 13. Defeasance. In the event that money and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds authorized hereunder in accordance with their terms, are set aside in a special account to effect such redemption and retirement, and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund of the District for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit

or security of this resolution, except the right to receive the moneys so set aside and pledged, such Bonds shall be deemed not to be outstanding hereunder.

The Registrar shall provide notice of defeasance of Bonds to Registered Owners and to each party entitled to receive notice pursuant an ongoing disclosure undertaking entered into pursuant to Section 17 of this resolution.

Section 14. Issuance of Future Parity Bonds. The District further covenants and agrees with the owners of Parity Bonds, for as long as they remain outstanding, as follows:

(a) That it will issue no financial obligations with a lien on Gross Revenue superior to the lien thereon of the Parity Bonds. The District may issue Future Parity Bonds for the following purposes: (i) acquiring, constructing and installing additions and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements or repairs and capital improvements to the System; or (ii) refunding or purchasing and retiring at or prior to their maturity any outstanding revenue bonds or other obligations payable out of Gross Revenue; upon compliance with the following conditions:

(1) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund.

(2) If there are Assessments levied in any utility local improvement district in which additions and improvements to and extensions of the System will be constructed from the proceeds of such Future Parity Bonds, the resolution authorizing such Future Parity Bonds shall require that such Assessments be paid into the Bond Fund.

(3) If there are Assessments pledged to be paid into the Bond Fund for revenue bonds being refunded by such Future Parity Bonds, the resolution authorizing such Future Parity Bonds shall require such Assessments to be used for the refunding or paid into the Bond Fund.



(4) The principal of and interest on any Future Parity Bonds shall be payable out of the Bond Fund, and the resolution authorizing their issuance shall further provide for payments into the Bond Fund to amortize any Term Bonds and satisfaction of the Reserve Requirement, all as required by Section 9 of this resolution.

(5) Prior to the delivery of any Future Parity Bonds, the District shall have on file a certificate of a Professional Utility Consultant showing: that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds (the “Adjusted Net Revenue”) will equal at least 1.25 times the Annual Debt Service (after deducting from each year’s Annual Debt Service the amount of Assessments due and payable in such year according to the assessment roll for such Assessments) for each such calendar or fiscal year for all Parity Bonds plus the Future Parity Bonds proposed to be issued.

The Adjusted Net Revenue will be the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of the proposed Future Parity Bonds as adjusted by such Professional Utility Consultant to take into consideration changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(i) the additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12-month period, had been in force during the full 12-month period;

(ii) the additional Net Revenue that would have been received if any facility of the System that became fully operational after the beginning of such 12-month period had been so operating for the entire period; and

(iii) the additional Net Revenue estimated by such Professional Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System that are (A) under construction at the time of such certificate or (B) will be constructed from the proceeds of the Future Parity Bonds to be issued.

The Professional Utility Consultant may rely upon, and his or her certificate shall have attached thereto, financial statements of the System certified by the Treasurer showing income and expenses for the period upon which the same is based.

The certificate of the Professional Utility Consultant will be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection (5).

(b) Notwithstanding the requirements set forth in subsection (a), if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the Parity Bonds being refunded thereby, the condition stated in subsection (a)(5) of this section need not be met.

(c) Nothing herein contained shall prevent the District from issuing any revenue bonds or other obligations with a lien on Net Revenue subordinate to the lien thereon of the Parity Bonds.

Section 15. Refunding Plan and Procedures.

(a) *Refunding Plan.* A portion of the proceeds of sale of the Bonds, together with other funds, if any, provided by the District shall be delivered to the Escrow Agent, for the purpose of defeasing the Refunded Bonds and paying related costs of issuance. Money received by the Escrow Agent from Bond proceeds and other money provided by the District shall be used immediately by the Escrow Agent upon receipt thereof in accordance with the terms of the Escrow

Agreement to defease the Refunded Bonds as authorized by the 2013 Bond Resolution, and pay costs of issuance of the Bonds. The Escrow Agent may hold proceeds in cash and/or purchase certain Government Obligations that are noncallable direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America (which obligations so purchased, are herein called “Acquired Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

(1) Interest on the Refunded Bonds as such becomes due on and prior to the Call Date; and

(2) The redemption price (100% of the principal amount) of the Refunded Bonds payable on the Call Date.

(b) *Escrow Agent/Escrow Agreement.* The District will utilize the services of U.S. Bank National Association to act as the escrow agent (the “Escrow Agent”) for the Refunded Bonds. A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.

In order to carry out the purposes of this section, the District Representative is authorized and directed to execute and deliver to the Escrow Agent, an Escrow Deposit Agreement and a Cost of Issuance Agreement, each substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively.

(c) *Implementation of Refunding Plan.* The District hereby irrevocably calls the Refunded Bonds for redemption on the Call Date in accordance with the provisions of the

2013 Bond Resolution. Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent, if any, is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of the 2013 Bond Resolution. The District Representative is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the District.

The District Representative or the Escrow Agent, if any, is hereby authorized and directed to pay to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in of subsection (a) above. All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof.

The District will take such actions as are found necessary to ensure that all necessary and proper fees, compensation and expenses of the Escrow Agent shall be paid when due.

Section 16. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Purchase Contract. The District Representative is hereby authorized to negotiate terms for the purchase of the Bonds and to execute the Purchase Contract, with such terms as are approved by the District Representative pursuant to this section and consistent with this resolution. The District's Board has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Board. The Board has determined that it would be in the best interest of the District to delegate to the District Representative for a limited time the authority to approve the final interest rates,

maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights (provided that the Bonds may be subject to optional redemption no earlier than five years from date of issue) and other terms and conditions of the Bonds. The District Representative is hereby authorized to approve the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity and redemption rights for the Bonds (provided that the Bonds may be subject to optional redemption no earlier than five years from date of issue) in the manner provided hereafter so long as (i) the aggregate principal amount of the Bonds does not exceed the maximum principal amount set forth in Section 3, (ii) the Bonds are sold for a price that results in a minimum aggregate net present value debt service savings over the Refunded Bonds by such Bonds of at least 4.20%, and (iii) the true interest cost of the Bonds is not greater than 2.668%.

In determining the final interest rates, maturity dates, aggregate principal amount of the Bonds, principal amounts and prices of each maturity and redemption rights of the Bonds (optional redemption no earlier than five years from date of issue), the District Representative, in consultation with District staff, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in this section, the District Representative is hereby authorized to execute the final form of the Purchase Contract. Following the execution of the Purchase Contract, the District Representative shall provide a report to the Board, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the District Representative by this section shall expire on December 31, 2021. If a Purchase Contract for the Bonds has not been executed by December 31, 2021, the authorization for the issuance of such Bonds shall be rescinded, and such Bonds shall

not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Board. The resolution reauthorizing the issuance and sale of the Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a Purchase Contract or establishing terms and conditions for the authority delegated under this section.

(b) *Delivery; Documentation.* Upon the adoption of this resolution, the proper officials of the District including the District Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Purchase Contract.

The District Representative and other District officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, the District Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriter's discount, the fees and expenses specified in the Purchase Contract, including fees and expenses of Underwriter and other retained services, including Bond Counsel, fiscal agent, escrow agent, escrow verification services and other expenses customarily incurred in connection with issuance and sale of bonds.

(c) *Preliminary and Final Official Statements.* The District Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the District, the Official Statement (and any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by her to be appropriate. The District Representative is

authorized to ratify, execute, deliver and approve for purposes of the Rule, on behalf of the District, the Official Statement (and to approve, deem final and deliver any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by her to be appropriate.

Section 17. Undertaking to Provide Ongoing Disclosure. The District Representative is hereby authorized to enter into a written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule (the “Continuing Disclosure Certificate”). The Continuing Disclosure Certificate constitutes the District’s written undertaking for the benefit of the owners (including Beneficial Owners) of the Bonds as required by Section (b)(5) of the Rule. The District Representative is hereby further authorized to adopt and approve a policy of compliance with respect to its undertakings.

Section 18. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like maturity, date, number and tenor to the Registered Owner thereof upon the owner’s paying the expenses and charges of the District in connection therewith and upon his/her filing with the District evidence satisfactory to the District that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the District with indemnity satisfactory to the District.

Section 19. Supplements and Amendments.

(a) The Board from time to time and at any time may adopt a resolution or resolutions supplemental hereof, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the District in this resolution other covenants and agreements thereafter to be observed, which will not adversely affect the

interests of the owners of any Parity Bonds in any material respect, or to surrender any right or power herein reserved to or conferred upon the District.

(2) To cure any ambiguities or correct or supplement any defective provision contained in this resolution in regard to such matters or questions as the Board may deem necessary or desirable and not inconsistent with this resolution and which will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

(3) To amend or supplement any provision contained in this resolution for the purpose of obtaining or maintaining a rating on the Parity Bonds so long as such amendment or supplement is not inconsistent with this resolution and will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

Any such supplemental resolution of the Board may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section; provided, however, that the District shall obtain an opinion of nationally recognized bond counsel to the effect that the supplemental resolution complies with this subsection (a).

(b) With the consent of the owners of not less than 65% in aggregate principal amount of the Parity Bonds at the time outstanding, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

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



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

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

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

Section 20. General Authorization and Ratification. The Board, the General Manager, and other appropriate officers and agents of the District are authorized to take any actions and to execute certificates, agreements or other documents as in their judgment may be necessary or desirable 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 21. Resolution and Laws a Contract with the Bond Owners. This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington. In consideration of the purchase and ownership of the Bonds, the provisions of this resolution and of said laws shall constitute a contract with the owners of the Bonds, and the obligations of the District and its Board under said laws and under this resolution shall be

enforceable by any court of competent jurisdiction; and the covenants and agreements herein and in the Bonds set forth shall be for the equal benefit of the owners of the Bonds.

Section 22. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District 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 any Bonds.

Section 23. Effective Date. This resolution shall be effective immediately upon its adoption.

ADOPTED by the Board of Commissioners of North Beach Water District, Pacific County, Washington, at a regular meeting thereof held on this 22nd day of March, 2021.

NORTH BEACH WATER DISTRICT,  
PACIFIC COUNTY, WASHINGTON

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President and Commissioner

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Commissioner

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Commissioner

ATTEST:

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Secretary of the Board of Commissioners

## **EXHIBIT A**

### **ESCROW DEPOSIT AGREEMENT**

#### **NORTH BEACH WATER DISTRICT, PACIFIC COUNTY, WASHINGTON WATER REVENUE REFUNDING BONDS, 2021 (TAXABLE)**

THIS ESCROW AGREEMENT, dated as of \_\_\_\_\_, 2021 (herein, together with any amendments or supplements hereto, called the “Agreement”) is entered into by and between the North Beach Water District, Pacific County, Washington (herein called the “District”) and U.S. Bank National Association, Seattle, Washington, as escrow agent (herein, together with any successor in such capacity, called the “Escrow Agent”). The notice addresses of the District, the District Treasurer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

#### **WITNESSETH:**

WHEREAS, the District heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the “Refunded Bonds”); and

WHEREAS, pursuant to Resolution No. 5-2021 adopted on March 22, 2021 (the “Bond Resolution”), the District has determined to issue its Water Revenue Refunding Bonds, 2021 (Taxable) (the “Bonds”); and

WHEREAS, the proceeds of the Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, simultaneously herewith, the District is entering into a Cost of Issuance Agreement with the Escrow Agent to provide for the payment of costs of issuance relating to the Bonds; and

**WHEREAS**, Robert Thomas CPA, LLC, independent certified public accountants, has prepared a verification report which is dated April \_\_, 2021 (the “Verification Report”) relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

WHEREAS, pursuant to the Bond Resolution, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the issuance, sale, and delivery of the Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunded Bonds when due as shown on Exhibit C attached hereto;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the District and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

## **Article 1. Definitions**

### **Section 1.1. Definitions.**

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

***District Treasurer*** means the Pacific County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

***Escrowed Securities*** mean the noncallable Government Obligations described in Exhibit D attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

***Government Obligations*** mean direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

***Paying Agent*** means the fiscal agent of the State of Washington, as the paying agent for the Refunded Bonds.

***Refunding Account*** means the account created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

### **Section 1.2. Other Definitions.**

The terms “Agreement,” “Bonds,” “Bond Resolution,” “District,” “Escrow Agent,” and “Refunded Bonds,” when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

### **Section 1.3. Interpretations.**

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

## **Article 2. Deposit of Funds and Escrowed Securities**

### **Section 2.1. Deposits in the Refunding Account.**

Concurrently with the sale and delivery of the Bonds the District shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Refunding Account, the funds (from the proceeds of the Bonds and a cash contribution by the District) sufficient to purchase the Escrowed Securities described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the District in writing.

## **Article 3. Creation and Operation of Refunding Account**

### **Section 3.1. Refunding Account.**

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Refunding Account"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Refunding Account the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Refunding Account, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Refunding Account shall be transferred to the District, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

### **Section 3.2. Payment of Principal and Interest.**

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Refunding Account, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C attached hereto.

### **Section 3.3. Sufficiency of Refunding Account.**

The District represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Refunding Account will be at all

times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Refunding Account shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the District shall timely deposit in the Refunding Account, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Refunding Account or the District's failure to make additional deposits thereto.

#### **Section 3.4. Trust Fund.**

The Escrow Agent or its affiliate, shall hold at all times the Refunding Account, the Escrowed Securities and all other assets of the Refunding Account, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Refunding Account to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Refunding Account only as set forth herein. The Escrowed Securities and other assets of the Refunding Account shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Refunding Account to which they are entitled as owners of the Refunded Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the District, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the District or, except to the extent expressly herein provided, by the Paying Agent.

### **Article 4. Limitation on Investments**

#### **Section 4.1. Investments.**

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

#### **Section 4.2. Substitution of Securities.**

At the written request of the District, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Refunding Account, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the

Escrow Agent only if the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Refunding Account to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the District in connection with such transaction.

## **Article 5. Application of Cash Balances**

### **Section 5.1. In General.**

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent in United States currency and shall not be reinvested by the Escrow Agent, except as directed or authorized herein.

## **Article 6. Redemption of Refunded Bonds**

### **Section 6.1. Call for Redemption.**

The District hereby irrevocably calls the Refunded Bonds for redemption on the redemption dates, as shown on Appendix A attached hereto.

### **Section 6.2. Notice of Redemption/Notice of Defeasance.**

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the forms attached hereto as Appendices A and B attached hereto and as described on said Appendices A and B to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the Resolution authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

## **Article 7. Records and Reports**

### **Section 7.1. Records.**

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Refunding Account and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

## **Section 7.2. Reports.**

While this Agreement remains in effect, the Escrow Agent quarterly shall prepare and send to the District a written report summarizing all transactions relating to the Refunding Account during the preceding financial quarter, including, without limitation, credits to the Refunding Account as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Refunding Account for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Refunding Account as of the end of such period.

## **Article 8. Concerning the Paying Agent and Escrow Agent**

### **Section 8.1. Representations.**

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

### **Section 8.2. Limitation on Liability.**

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Refunding Account. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Refunding Account or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the District promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the District and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Refunding Account, or any part thereof, or as to the title of the District thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.



The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or willful misconduct, nor for any loss unless the same shall have been through its negligence or bad faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the District with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Refunding Account, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the District or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the District at any time.

### **Section 8.3. Successor Escrow Agents.**

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the District, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the District within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the District, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Washington, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Washington, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the District and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon

the request of any such successor Escrow Agent, the District shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.3 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

## **Article 9. Miscellaneous**

### **Section 9.1. Notice.**

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the District, the District Treasurer or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

### **Section 9.2. Termination of Responsibilities.**

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the District, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

### **Section 9.3. Binding Agreement.**

This Agreement shall be binding upon the District and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the District, the Escrow Agent and their respective successors and legal representatives.

### **Section 9.4. Severability.**

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

**Section 9.5. Washington Law Governs.**

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

**Section 9.6. Time of the Essence.**

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

**Section 9.7. Notice to S&P.**

In the event that this Agreement or any provision thereof is severed, amended or revoked, the District shall provide written notice of such severance, amendment or revocation to S&P Global Ratings, 55 Water Street, New York, New York 10041, Attention: Refunded Bonds Municipal Bond Department.

**Section 9.8. Amendments.**

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

**NORTH BEACH WATER DISTRICT,  
PACIFIC COUNTY, WASHINGTON**

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District Representative

**U.S. BANK NATIONAL ASSOCIATION**

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Authorized Signer

Exhibit A	—	Addresses of the District, Treasurer, and Escrow Agent
Exhibit B	—	Description of the Refunded Bonds
Exhibit C	—	Schedule of Debt Service on Refunded Bonds
Exhibit D	—	Escrow Deposit
Exhibit E	—	Refunding Account Cash Flow
Appendix A	—	Notice of Redemption for the Refunded Bonds
Appendix B	—	Notice of Defeasance for the Refunded Bonds

**EXHIBIT A**  
**Addresses of the District, District Treasurer, and Escrow Agent**

**District:** North Beach Water District  
2212 272nd Street  
P.O. Box 618  
Ocean Park, WA 98640  
Attention: Rick Gray, General Manager

**Treasurer:** Pacific County  
County Courthouse  
300 Memorial Dr.  
P.O. Box 98  
South Bend, WA 98366  
Attention: Renee Goodin, Treasurer

**Escrow Agent:** U.S. Bank National Association  
Global Corporate Trust Services PD-WA-T7CT  
1420 Fifth Avenue, 7th Floor  
Seattle, WA 98101  
Attention: Carolyn Morrison, Vice President

**EXHIBIT B**  
**Description of the Refunded Bonds**

North Beach Water District, Pacific County, Washington  
Water Revenue and Refunding Bonds, 2013  
(the "Refunded 2013 Bonds")

Maturity Year (December 1)	Principal Amount	Interest Rate
2026*	\$750,000	4.00%
2029*	645,000	4.70
2032*	745,000	5.00

\* Term Bonds

**EXHIBIT C**  
**Schedule of Debt Service on Refunded Bonds**

Date	Interest	Principal/ Redemption Price	Total
	\$	\$	\$
Total	\$	\$	\$

**EXHIBIT D**  
**Escrow Deposit**

**I. Cash \$ \_\_\_\_\_**

**II. Other Obligations**

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Total Cost</u>
[SLGS]		\$ _____	%	\$ _____
Total		\$ _____		\$ _____



**EXHIBIT E**  
**Refunding Account Cash Flow**

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
	—	\$	\$	\$
	\$ _____	\$ _____	\$ _____	
	\$	\$	\$	

**APPENDIX A**

**NOTICE OF REDEMPTION\***

**North Beach Water District, Pacific County, Washington  
Water Revenue and Refunding Bonds, 2013**

NOTICE IS HEREBY GIVEN that the North Beach Water District, Pacific County, Washington has called for redemption on June 1, 2023, certain of its outstanding Water Revenue and Refunding Bonds, 2013 (the “Bonds”) as described below.

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to June 1, 2023. The redemption price of the Bonds is payable without presentation of the Bonds if presentment is not required by the governing documents. If the governing documents do require presentment, presentment of the Bonds may be made at the office of:

U.S. Bank National Association  
Global Corporate Trust Services  
111 Fillmore Ave E.  
St. Paul, MN 55107

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on June 1, 2023.

The following Bonds are being redeemed:

<u>Maturity Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>CUSIP Nos.</u>
2026*	\$750,000	4.00%	657514AP0
2029*	645,000	4.70	657514AS4
2032*	745,000	5.00	657514AV7

\*Term Bonds

**By Order of the North Beach Water District, Pacific County, Washington**

**U.S. Bank National Association, as Paying Agent**

Dated: \_\_\_\_\_.

\* This notice shall be given not more than 60 nor less than 20 days prior to June 1, 2023, by first class mail to each registered owner of the 2013 Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; S&P Global Ratings; Martin Nelson & Company, Inc.; and to the Municipal Securities Rulemaking Board.

Withholding of 24% of gross redemption proceeds of any payment made within the United States may be required by the Tax Cuts and Jobs Act of 2017 (the “Act”) unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

## APPENDIX B

### Notice of Defeasance\* North Beach Water District, Pacific County, Washington Water Revenue and Refunding Bonds, 2013

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated April \_\_, 2021, by and between North Beach Water District, Pacific County, Washington (the "District") and U.S. Bank National Association, Seattle, Washington (the "Escrow Agent"), the District has deposited into an Refunding Account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Resolution No. 13-2013 of the District, authorizing the issuance of the Defeased Bonds, but will be paid by application of the assets of such Refunding Account.

The Defeased Bonds are described as follows:

#### Water Revenue and Refunding Bonds, 2013 (Dated June 25, 2013)

Maturity Years (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.	Call Date (@ 100%)
2026*	\$750,000	4.00%	657514AP0	06/01/2023
2029*	645,000	4.70	657514AS4	06/01/2023
2032*	745,000	5.00	657514AV7	06/01/2023

\* Term Bonds

#### Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. \_\_\_\_\_ of the Defeased Bonds described above, which certificate is in the principal amount of \$ \_\_\_\_\_. All of which has been defeased as described above.

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\* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; U.S. Bank National Association, as Fiscal Agent; S&P Global Ratings, Martin Nelson & Company, Inc., and to the Municipal Securities Rulemaking Board.

**EXHIBIT B**

**COSTS OF ISSUANCE AGREEMENT**

NORTH BEACH WATER DISTRICT, PACIFIC COUNTY, WASHINGTON  
WATER REVENUE REFUNDING BONDS, 2021 (TAXABLE)

THIS COSTS OF ISSUANCE AGREEMENT, dated as of \_\_\_\_\_, 2021 (herein, together with any amendments or supplements hereto, called the “Agreement”), is entered into by and between North Beach Water District, Pacific County, Washington, (herein called the “District”) and U.S. Bank National Association, Seattle, Washington, as Escrow Agent (herein, together with any successor in such capacity, called the “Escrow Agent”).

**WITNESSETH:**

WHEREAS, pursuant to Resolution No. 5-2021 adopted on March 22, 2021 (the “Bond Resolution”), the District has determined to issue its Water Revenue Refunding Bonds, 2021 (Taxable) (the “Bonds”); and

WHEREAS, simultaneously herewith, the District is entering into an Escrow Deposit Agreement, dated \_\_\_\_\_, 2021 under which the Escrow Agent will hold invested proceeds of the Bonds in order to pay and redeem the Refunded Bonds under the terms set forth therein; and

WHEREAS, certain proceeds of the Bonds will be delivered to the Escrow Agent on the date of issuance of the Bonds that are required to be disbursed to pay costs of issuance of the Bonds; and

WHEREAS, the Escrow Agent has agreed, without additional compensation to disburse the Bond proceeds received to pay costs of issuance under the terms of this Agreement;

**Section 1. Deposit in the Costs of Issuance Fund.**

The Escrow Agent has created on its books a special trust fund and escrow fund to be known as the Costs of Issuance Fund. The Escrow Agent agrees that upon receipt it will deposit to the credit of the Costs of Issuance Fund Account the sum of \$\_\_\_\_\_ to pay those costs of issuance set forth on Exhibit A. Such deposit, all proceeds therefrom, and all cash balances on deposit therein shall be the property of the Costs of Issuance Fund to pay those costs of issuance set forth on Exhibit A upon receipt of invoices. If any of the \$\_\_\_\_\_ deposit allocated for costs of issuance for the Bonds remains unspent on June \_\_, 2021, the Escrow Agent shall transfer such unspent amount to the District, and this Agreement shall be deemed fully performed and terminated.

**Section 2. Investments.**

The Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder.

**Section 3. Limitation on Liability.**

The liability of the Escrow Agent to transfer funds for the payment of the costs of issuance identified herein shall be limited to the proceeds of the Bonds delivered to the Escrow Agent.

**Section 4. Compensation.**

The District shall pay to the Escrow Agent fees for performing the services hereunder and under the Escrow Agreement for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement and the Escrow Agreement pursuant to the terms of the Fee Schedule attached as Exhibit B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against funds held under the Escrow Agreement for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

**Section 5. Notice.**

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the District or the Escrow Agent at the address shown on Exhibit A to the Escrow Agreement.

**Section 6. Washington Law Governs.**

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the state of Washington.

**EXECUTED** as of the date first written above.

**NORTH BEACH WATER DISTRICT,  
PACIFIC COUNTY, WASHINGTON**

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District Representative

**U.S. BANK NATIONAL ASSOCIATION**

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Authorized Signer

Exhibit A — Costs of Issuance Schedule  
Exhibit B — Fee Schedule

**EXHIBIT A**

**Costs of Issuance**

Bond Counsel Fee (K&L Gates LLP).....	\$
Escrow Agent Fee (U.S. Bank National Association).....	
Escrow Verification Fee (Robert Thomas CPA, LLC)	
Rating Agency Fee (S&P Global Ratings)	
OS Posting Fee.....	
Total: .....	\$



**EXHIBIT B**

FEE SCHEDULE

See Attached

SECRETARY'S CERTIFICATE

I, the undersigned, duly chosen, qualified and acting Secretary of the Board of Commissioners (the “Board”) of North Beach Water District, Pacific County, Washington, and keeper of the records of the Board, DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 5-2021 of the District (herein called the “Resolution”) as finally adopted at a regular meeting of the Board held on the 22nd day of March, 2021, 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 quorum was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption 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 this 22nd day of March, 2021.

\_\_\_\_\_  
Secretary of the Board of Commissioners