

RESOLUTION NO. 2023-015

A RESOLUTION of Public Utility District No. 1 of Jefferson County, Washington, authorizing the issuance of an Electric System Revenue Bond in the principal amount of not to exceed \$4,061,116 to provide funds to finance a portion of the construction of a broadband infrastructure project of the District; authorizing the sale of the Bond to the United States Department of Agriculture, Rural Utilities System; fixing and approving the terms and covenants of the Bond; approving a grant for the project; and providing for other matters properly related thereto.

WHEREAS, Public Utility District No. 1 of Jefferson County, Washington (the "District"), is in need of funds to pay the cost of financing the construction of a broadband infrastructure project and the cost of professional services including engineering and accountant/consultant fees (collectively, the "Project"); and

WHEREAS, in order to finance the Project, it is hereby found necessary and advisable that the District issue its Electric System Revenue Bond, 2023A (the "Bond"); and

WHEREAS, the United States of America, acting through the Administrator of Rural Utilities Services ("RUS") has agreed to purchase the Bond authorized herein under the terms and conditions set forth in this resolution; and

WHEREAS, RUS has agreed to a grant to the District in the amount of \$9,202,232 (the "Grant"); and

WHEREAS, based on the foregoing, it is in the District's best interest to (a) authorize the issuance of the Bond, (b) authorize the sale and delivery of the Bond to the RUS upon the terms set forth in this resolution, (c) approve the Grant, and (d) to execute a ReConnect Program Loan and Grant Agreement (the "Loan Agreement") and such documents as are required in connection with the Bond;

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Definitions. As used in this resolution the following words and phrases shall have the meanings set forth below unless the context clearly indicates that another meaning is intended.

"2013 Bond" means the District's Electric System Revenue Bond, 2013 issued pursuant to Resolution No. 2012-024.

"2023 Bond" means the District's Electric System Revenue Bond, 2023, issued pursuant to Resolution No. 2023-013.

"2023A Bond Account" means the special account to be known as the "Revenue Bond Account, 2023," created pursuant to Section 10 within the Parity Bond Fund for the payment of debt service on the Bond.

"Advance" means an incremental draw on the Bond.

“Annual Debt Service” means the amount required in each calendar year hereafter for deposit into the Parity Bond Fund (including any amounts required to be deposited into a sinking fund for the mandatory redemption of term bonds) for the payment of the principal of and interest on all Parity Bonds outstanding.

“Bond” means the not to exceed \$4,061,116 principal amount Public Utility District No. 1 of Jefferson County, Washington, Electric System Revenue Bond, 2023A, issued pursuant to this resolution, in the form of the “ReConnect Loan” provided by United States Department of Agriculture, Rural Utilities Service attached as Exhibit B to this resolution.

“Commission” means the Board of Commissioners, which is the governing body of the District as the same shall be duly and regularly constituted from time to time.

“Coverage Requirement” means, in any calendar year, an amount of Net Revenue equal to at least 1.25 times Annual Debt Service.

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

“Finance Director” means the Finance Director, Treasurer or other chief financial officer of the District.

“Future Parity Bonds” means all revenue bonds of the District issued after the date of issuance of the Bond, the payment of the principal of and interest on which constitutes a lien and charge upon the Revenue Fund of the District and upon the Revenue of the System (after payment of all Operating Expenses), that is equal in rank with the lien and charge granted in connection with the Bond, the 2013 Bond, the 2023 Bond and any Future Parity Bonds.

“Government Obligations” means those obligations defined as such in Revised Code of Washington, ch. 39.53, as now or hereafter amended.

“Loan Agreement” means the ReConnect Program Loan and Grant Agreement between the District, as Borrower, and the United States of America, as lender, acting by and through the Administrator of the Rural Utilities Service (RUS Project Designation: WA 1705-A71), a draft form, subject to additional changes, of which is attached as Exhibit A to this resolution.

“Net Revenue” means Revenue of the System, less Operating Expenses, but prior to depreciation.

“Operating Expenses” means all necessary expenses incurred by the District in causing the System to be operated and maintained in good repair, working order and condition, excluding nonrecurring expenditures. “Operating Expenses” shall include, without limitation: purchased power expenses; administrative and general expenses; insurance premiums; required payments to pensions and other employee benefits; expenses incurred in preparing annual financial statements; and all taxes and assessments required by law to be paid by the District. Operating Expenses do not include costs of new construction, extraordinary, non-reoccurring expenses, amortization or any allowance for depreciation.

“Parity Bonds” means the 2013 Bond, the 2023 Bond, the Bond, and any Future Parity Bonds.

“Parity Bond Fund” includes the Bond Accounts created by the Parity Bond Resolutions for the payment of debt service on any outstanding Parity Bonds, together with the 2023A Bond Account.

“Parity Bond Resolutions” means, collectively, Resolution No. 2012-024 authorizing the issuance of the 2013 Bond, Resolution No. 2023-013 authorizing the issuance of the 2023 Bond, this resolution, and any resolution authorizing the issuance of Future Parity Bonds.

“Parity Conditions” means the conditions which must be met prior to the issuance of any Future Parity Bonds, which are set forth in Section 13B.

“Permitted Investments” means any investments or investment agreements permitted for the District under the laws of the State as amended from time to time.

“Project” means the financing or refinancing of the construction of a broadband infrastructure project of the District and other costs of professional services including engineering and accountant/consultant fees, as set forth in the District’s application for the loan from RUS.

“Pledged Deposit Account” means a separate account maintained by the District to be designated the “Jefferson County PUD #1 RUS Project Designation WA 1705-A71, Pledged Deposit Account.”

“Purchaser” means the United States Department of Agriculture, Rural Utilities Service.

“Revenue Fund” means the Electric System Revenue Fund.

“Revenue of the System” means all income and revenues received by the District from the sale of electric energy through the ownership or operation of the Electric System and all other commodities, services and facilities sold, furnished or supplied by the District through the ownership or operation of the Electric System, together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System. “Revenue of the System” excludes: income derived from investments irrevocably pledged to the payment of any specific revenue bonds of the District, such as bonds that have been refunded or defeased pursuant to Section 8; investment income earned on money in any arbitrage rebate account; grants for capital purposes; assessments in any local utility district; and any *ad valorem* tax revenues.

“RUS” means the United States of America acting by and through the Administrator of the Rural Utilities Services.

“System” or “Electric System” means all electric utility properties and assets real and personal, tangible and intangible, of the District used or useful in the transmission, distribution and sale of electric energy and the business incidental thereto, including all property and assets hereafter constructed or acquired as additions or betterments to and improvements and extensions of all such properties, including telecommunication facilities unless such facilities are separated from the Electric System. The “System” shall not include the Water System, the Sewer System, or such generating, transmission and distribution facilities as may be hereafter acquired by the District as, and specifically declared to be, a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct, or otherwise acquire such separate utility system.

“TIER” or “Times Interest Earned Ratio” has the meaning given in the Loan Agreement and established RUS procedures in effect at the time.

“TIER Requirement” means a Times Interest Earned Ratio of at least 1.2, computed in accordance with the Loan Agreement and RUS procedures in effect at the time.

“Treasurer” means the Jefferson County Treasurer, as *ex officio* treasurer of the District, or such other person or office as may hereafter be designated by law to perform the duties of treasurer of the District.

Section 2. Authorization of Project and System. The Commission hereby specifies and adopts the Project as a plan for the acquisition by construction, purchase or condemnation of additions, improvements and betterments to and extensions of the System. The Commission may modify details of the Project as necessary or advisable in the judgment of the Commission. The total estimated cost of the Project is more than \$4,061,116, which will be paid or reimbursed from proceeds of the Bond and other available funds of the District. The Commission hereby finds that it is in the best interests of the District and the users of the Electric System that the District issue the Bond for the purpose of providing funds to finance a portion of the costs of the Project.

Section 3. Finding as to Sufficiency of Revenues The Commission finds and determines that the Revenue of the System and benefits to be derived from the operation and maintenance of the Electric System at the rates to be charged for electricity furnished thereby will be sufficient to meet all Operating Expenses and to permit the setting aside into the Parity Bond Funds out of the Revenue of the System of amounts sufficient to pay the principal of and interest on the Bond when due. The Commission declares that in fixing the amounts to be paid into the Parity Bond Fund under this resolution it has exercised due regard for Operating Expenses (including, without limitation, the cost of operation and maintenance under RCW 54.24.040) and has not obligated the District to set aside and pay into the Parity Bond Fund a greater amount of Revenue of the System than in its judgment will be available over and above such Operating Expenses.

Section 4. Authorization and Description of Bond. For the purpose of financing the Project and paying costs of issuing the Bond, the District shall issue its electric revenue bond, designated as the “Public Utility District No. 1 of Jefferson County, Washington, Electric System Revenue Bond, 2023A,” in the form of the ReConnect Loan in the principal amount of not to exceed \$4,061,116. The Bond shall be dated as of its date of delivery and shall bear interest on the unpaid balance at the rate(s) and calculated on the basis all as set forth in the Bond, which is incorporated by this reference. The outstanding principal balance of the Bond on any particular date, and the interest due on any particular Advance, shall be determined as set forth in the Bond. The Bond shall mature and shall be amortized as to principal and interest as set forth in the Bond. Both principal of and interest on the Bond shall be payable in lawful money of the United States of America in the manner set forth in the Bond. The late payment fees set forth in the Bond shall apply. The Bond shall be an obligation only of the 2023A Bond Account and shall be payable and secured solely as provided herein.

A. Officer Authorized to Request Advances. The General Manager and Finance Director (if permitted by RUS Regulations) are authorized to make requests for Advances in accordance with the terms set forth in the Bond.

B. Prepayments and Refinancing. The District may elect to prepay or to refinance all or any portion of the outstanding principal amount of any Advance made under the Bond, or to prepay the Bond in its entirety, in the manner, at the price, and subject to the limitations, charges and penalties specified in the Bond.

C. Loan Fees. The District shall pay no annual loan servicing fee or origination fee.

Section 5. Form of Bond. The Bond shall be in substantially the form set forth in Exhibit B to this resolution.

Section 6. Disposition of Bond Proceeds; Pledged Deposit Account. The proceeds of each Advance shall be used to pay the costs of the Project, to reimburse the District for prior expenditures to pay the cost of the Project, and pay costs of issuing the Bond. If not disbursed directly to pay the foregoing, the proceeds of any Advance shall be deposited, until needed, into the Pledged Deposit Account. All proceeds deposited in the Pledged Deposit Account and not immediately needed to pay the costs of the Project and costs incidental thereto may be temporarily invested in Permitted Investments that will mature prior to the date on which the money so invested shall be needed. All proceeds and all interest earned and income or profits derived by virtue of such investments shall remain in the Pledged Deposit Account and be used for the acquisition, installation and construction of the Project or other improvements to the Electric System. Any Bond proceeds and investment earnings thereon not required for such purposes shall be deposited in the 2023A Bond Account and used to redeem outstanding Advances at the earliest date on which such Advances shall mature or be callable.

Section 7. Execution, Issuance and Delivery of the Bond and Related Documents. The Bond shall be signed by the President of the Board of Commissioners of the District and attested by the General Manager or Secretary of the Commission. In case either or both of the officers who have signed or attested the Bond cease to be such officer before such Bond have been actually issued and delivered, such Bond shall be valid nevertheless and may be issued by the District with the same effect as though the persons who had signed or attested such Bond had not ceased to be such officers, and the Bond may be signed or attested on behalf of the District by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the District. The Bond shall be certified and registered in accordance with the certificate of authentication and registration requirements set forth therein, if any. The proper District officials are hereby authorized to effect delivery of the Bond as set forth herein.

Section 8. Defeasance of Parity Bonds. In the event that the District, in order to effect the payment, retirement or redemption of any Parity Bonds, sets aside in the Parity Bond Funds or in another special account, held in trust by a trustee, cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Parity Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Parity Bond Funds for the payment of the principal of and interest on such Parity Bond. The owner of a Parity Bond so provided for shall cease to be entitled to any lien, benefit or security of the resolution authorizing its issuance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Parity Bond shall be deemed to be not outstanding under the resolution authorizing its issuance.

Section 9. Revenue Fund. There has previously been established in the office of the Treasurer a special fund of the District designated the "Electric System Revenue Fund." The District covenants and agrees that, so long as any Parity Bonds are outstanding and unpaid, it will continue to pay into the Revenue Fund all Revenue of the Electric System, together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties or facilities of the Electric System.

Section 10. Bond Fund; Payments into the Parity Bond Fund. The District hereby creates the 2023A Bond Account within the Parity Bond Fund for the payment of the Bond. The Parity Bond Fund shall be drawn upon for the sole purpose of paying the principal and interest on the Parity Bonds. Amounts set aside, from time to time, in the Parity Bond Fund for the Parity Bonds and the interest thereon shall be held in trust for the holders of the Parity Bonds.

A. The 2023A Bond Account. The 2023A Bond Account shall be created in the Parity Bond Fund and used solely for the purpose of paying the principal of and interest on the Bond, and of retiring such Bond prior to maturity in the manner provided in this resolution and the Loan Agreement. The District hereby obligates and binds itself irrevocably to set aside and pay into the 2023A Bond Account out of the Revenue of the System paid into the Revenue Fund monthly deposits as required by the Loan Agreement, without regard to any fixed proportion of Revenue of the System, sufficient to pay the principal of and interest on the Bond on the next upcoming interest or principal payment date, as the same shall come due and become payable.

To meet the required payments to be made into the Bond Fund, the District may transfer any money from any funds or accounts of the District legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds. Whenever and so long as the assets of the 2023A Bond Account are sufficient to provide money to pay all Advances then outstanding against the Bond, including such interest and loan servicing fees as may thereafter become due thereon, no further payments need be made into the 2023A Bond Account.

B. Reserve Account. A Reserve Account may be created in the Parity Bond Fund to secure one or more series of Parity Bonds. In the resolution authorizing such Parity Bonds, the reserve account requirement shall be established. There is no reserve account securing the Bond.

Section 11. Flow of Funds. The Revenue of the System shall be used for the following purposes only and shall be applied in the following order of priority:

- (1) To pay the Operating Expenses;
- (2) To make all required deposits into (in the following order of priority): the Parity Bond Fund, to pay interest first and then principal, and then any reserve account created within the Parity Bond Fund for the purpose of paying and securing the principal of and interest on the Parity Bonds as such payments are required to be made, including making all payments required to be made into any mandatory redemption or sinking fund account created to provide for the payment of the principal of term bonds, except that if there is not sufficient money to make all payments under all Parity Bonds then outstanding, the payments will be made on a pro rata basis;
- (3) To make all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service fund or reserve fund created to pay or secure the payment of the principal of and interest on any revenue bonds,

notes, warrants or other obligations of the District having a lien upon the Net Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

- (4) Without regard to priority and at the option of the Commission, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the System, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, or for any other lawful System purpose.

Section 12. Pledge and Lien Position. The principal of and interest on the Future Parity Bonds, the Bond, the 2013 Bond, and the 2023 Bond shall hereafter be payable from, and such payment shall be secured by a single and common lien and charge on the Net Revenue and amounts in the Revenue Fund superior to all other liens or charges of any kind or nature and equal in rank to the lien and charge thereon for the payment of the principal of and interest on any Parity Bonds. The lien and charge shall be a lien and charge on Revenue of the System and amounts in the Revenue Fund after payment only of Operating Expenses. The Parity Bonds and the interest thereon shall be a valid claim of the holder thereof only against the Parity Bond Funds and the amount of the revenues of the District pledged to the Parity Bond Funds, and shall constitute a prior charge over all other charges or claims whatsoever against the Parity Bond Funds.

Section 13. Covenants.

A. Parity Bond Covenants. The District covenants with the owner and holder of the Bond and of any Parity Bonds that, for as long as the same remain outstanding:

- (1) The District will duly and punctually pay or cause to be paid the principal of the Parity Bonds and the interest thereon on the dates and at the places and in the manner provided in this resolution and the resolutions authorizing Parity Bonds.
- (2) The District will duly and punctually pay all taxes and assessments required by law to be paid.
- (3) The District will establish, maintain and collect rates and charges for electric energy and other commodities and facilities sold, furnished or supplied by it in connection with the operation of the System which shall be fair and nondiscriminatory and will be sufficient to meet the Coverage Requirement.
- (4) The District will at all times maintain, preserve and keep the System and all additions, betterments and improvements thereto and extensions and every part and parcel thereof in good repair, working order and condition, and will from time to time make all necessary and proper repairs, replacements, renewals, additions, betterments and improvements thereto and extensions thereof so that at all times the business carried on in connection therewith will be managed in an efficient manner and at a reasonable cost.
- (5) The District will not sell or otherwise dispose of the properties of the System, except as provided in the applicable RUS Bulletin, unless simultaneously with such sale or other disposition of such property provision is made for the payment of cash into the Parity Bond Fund sufficient to pay the principal of, premium if any, and interest on all Parity Bonds then outstanding in full. However, the District may sell or otherwise dispose of any of the works, plants, properties and facilities of the

District and all real and personal property comprising a part of the same which shall have 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. The proceeds of any such sale or disposition of a portion of the properties of the System shall be paid into the Revenue Fund and shall, at the option of the District, be used for repairs, renewals, replacements, additions, betterments or improvements to or extensions of the System, or used to repay, or to call and redeem or purchase on the open market, any Parity Bonds then outstanding in accordance with their terms, in the time, manner and to the extent that such redemption or purchase is permitted by the resolution authorizing the issuance and sale of such bonds.

Upon the approval of the Purchaser, or once the 2013 Bond is no longer outstanding, the District shall only be required to comply with the requirements of this subsection if the proceeds of such sale or other disposition shall be in excess of 5% of the value of the net utility plant of the Electric System.

- (6) The District will keep the works, plants, properties and facilities comprising the System insured and will carry such other insurance with responsible insurers, or maintain self insurance with policies payable to the District, against risks, accidents or casualties at least to the extent that insurance is usually carried by public and private corporations operating like properties. In the event of any loss or damage the District will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy or policies for that purpose; or in the event the District should determine not to repair, replace or reconstruct such damaged portion of the properties of the System, the proceeds of such insurance shall be paid into the Revenue Fund and shall, at the option of the District, be used for repairs, renewals, replacements, additions, betterments or improvements to or extensions of the System or such other use as the Commission shall determine.
- (7) The District will keep proper books and records of the operation of the System in accordance with the rules and regulations prescribed by the State Auditor's Office of the State of Washington or any other state department or agency succeeding to such duties of the State Auditor's Office. The District will cause to be prepared an annual financial and operating statement showing the revenues and expenditures of the System for each fiscal year and a balance sheet of the System as of the end of each fiscal year.
- (8) The District will not furnish or supply or permit the furnishing or supplying of electric energy or any other commodity, service or facility furnished by or in connection with the operation of the System free of charge to any person, firm or corporation, public or private, except to the poor or infirm in accordance with the State Constitution, and that it will promptly enforce the payment of any and all accounts owing to the District and delinquent by discontinuing service or by legal actions, suits and proceedings, or both.

B. Additional Bonds. The District covenants and agrees with the owner and holder of each of the Parity Bonds for as long as any of the same remain outstanding that it will not issue any Future Parity Bonds except as follows:

- (1) The District reserves the right to issue additional bonds for the purpose of (i) acquiring, constructing and installing additions, betterments and improvements to or extensions of, acquiring necessary equipment for, or making necessary renewals, replacements and capital improvements to the system, or (ii) refunding or purchasing and retiring prior to their maturity any outstanding electric revenue bonds or warrants of the District. Upon compliance with the Parity Conditions, the District may pledge that payments shall be made out of the Revenue Fund to the credit of the Future Parity Bond Funds to be created (and the interest, principal and reserve accounts therein) to pay and secure the payment of the principal of and interest on such Parity Bonds on a parity with the payments required to be made out of the Revenue Fund into the Parity Bond Funds to pay and secure the payment of the principal of and interest on the Parity Bonds.

Future Parity Future Parity Bonds may be issued only upon compliance with the following conditions:

- (a) At the time of the issuance of such Future Parity Bonds there may be no deficiency in any accounting in the Parity Bond Fund.
- (b) The resolution providing for the issuance of such Future Parity Bonds must provide for the creation of a bond account in the Parity Bond Fund, and may provide for a reserve account to be created therein for the purpose of paying and securing the payment of the principal of and interest on such Future Parity Bonds as the same become due.
- (c) The resolution providing for the issuance of such Future Parity Bonds must contain substantively the same covenants as set forth in Section 13.
- (d) The amount of Net Revenue, for any 12 consecutive months out of the 24 months next preceding the month of the issuance of the Future Parity Bonds, must equal at least 1.25 times the maximum Annual Debt Service of all then-outstanding Parity Bonds and the proposed Future Parity Bonds. For purposes of this calculation, Net Revenue may be adjusted as follows:
 - (i) By adding the Net Revenue to be derived from additions, betterments and improvements to and extensions of the Electric System to be constructed, acquired or added to prior to the issuance of such Parity Bonds and not reflected in the report of the 12-month base period;
 - (ii) By adding the Net Revenue to be derived from the additions, betterments and improvements to and extensions of the Electric System to be acquired, constructed and installed out of the proceeds of sale of such Future Parity Bonds;

- (iii) By adding (or subtracting) the effect of any increase or decrease in rates and charges for electric energy supplied, which occurred after such 12-month base period, if such changes in rates or charges are made effective prior to the date of delivery of such Future Parity Bonds; and
 - (iv) By adding the net revenue to be derived from new customers added to the System prior to the date of the certificate (described in item (v), below) but subsequent to the commencement of such 12-month base period, which net revenue is not reflected or fully reflected in the report of the 12-month base period.
- (e) Prior to issuing such Future Parity Bonds, the District shall obtain and have on file a certificate from an independent licensed professional engineer or engineering firm experienced in the design and operation of electric utilities which shall certify full compliance with the provisions of items (a) and (d), above, and such certificate shall be conclusive of compliance with the conditions required therein. However, if the requirements of item (d) can be met without making any adjustment pursuant to subparagraphs (i) through (iv) of item (d), such certificate may, at the District's option, be provided by the District's Finance Director or General Manager.
- (f) At or prior to the time of issuance of such Future Parity Bonds, the District must have on file the consent of the Administrator to the issuance thereof if required by the Loan Agreement.
- (2) The District further reserves the right, without necessity of complying with the Parity Conditions, to issue Future Parity Bonds for the purpose of refunding by exchange, purchase or redemption and retirement at or prior to their maturity any part or all of the Parity Bonds then outstanding, if the issuance of such refunding Parity Bonds does not require a greater amount to be paid out of the Revenue Fund for principal of and interest on such refunding Parity Bonds over their life than the amount required to be paid out of the Revenue Fund for the payment of the principal of and interest on the bonds being refunded over their life.
- (3) Nothing herein contained shall prevent the District from issuing revenue bonds or warrants which are a charge upon the Revenue Fund junior or inferior to the payments required to be made into the Parity Bond Funds or from issuing revenue bonds to refund maturing bonds or warrants for the payment of which moneys are not otherwise available.

C. Additional Covenants with Respect to the Bond. With respect to the Bond evidenced by the Loan Agreement, the District makes and agrees to be bound by the additional covenants, representations and warranties as are set forth in the Loan Agreement. If any provision of this resolution is inconsistent with the Loan Agreement, this resolution shall control. The additional covenants made to the holder of the Bond include, without limitation, the following:

- (1) In addition to the covenant in subsection A(3), above, the District will establish, maintain and collect rates and charges for electric energy and other commodities

and facilities sold, furnished or supplied by it in connection with the operation of the System which will be sufficient to meet the TIER Requirement of at least 1.2 TIER (which shall be computed in accordance with established RUS procedures then in effect).

- (2) The District will obtain the classes and amounts of insurance coverage all as set forth in the Loan Agreement.
- (3) The District shall purchase all materials, equipment and replacements to be incorporated in or used in connection with any of its properties embraced in the System outright, and not subject to any conditional sales agreement, chattel mortgage, bailment lease, or other agreement reserving to the seller any right, title or lien. The District will not, without the approval in writing of the holder or holders of the Bond, become or be obligated under Long-Term Leases for the rental from others of Restricted Property if the aggregate amount of rentals thereunder accrued or which may accrue during any period of 12 calendar months shall exceed 2% of the Equity of the District at the time any determination of such rental obligations is made hereunder. For purposes of this paragraph (3), the following capitalized terms shall have the following meanings:
 - (i) "Equity" means the aggregate of Equities and Margins as such terms are defined in the Uniform System of Accounts and Subordinated Indebtedness.
 - (ii) "Long-Term Leases" means leases having unexpired terms of more than 12 months, taking into account terms of renewal at the option of the lessor, whether or not such leases have theretofore been renewed.
 - (iii) "Restricted Property" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment.
- (4) The District shall not, without the approval in writing of the Administrator: construct, make, lease, purchase, or otherwise acquire any extensions or additions to the System, or enter into any contract in respect thereof; enter into any contract or contracts for the operation or maintenance of all or any part of its property embraced in the System, or for the use by others of any of its property embraced in the System; or incur any expenses for legal, engineering, supervisory, accounting, construction or other similar services in connection with the operation of the System except such reasonable expenses as are incurred in the routine course of business.
- (5) The District shall duly and punctually perform all obligations to be performed by it hereunder and under the Loan Agreement.

Section 14. Events of Default; Remedies. The Events of Default shall be specified in the Loan Agreement executed in connection therewith. Notwithstanding the foregoing, if any principal or interest payment with respect to any Parity Bond is not paid when due, or is not paid

after being properly presented at its maturity or call date, the District shall be obligated to pay interest on that bond at the same rate provided in that Parity Bond from and after its maturity or call date until that Parity Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund with respect to such Parity Bond and notice of call for payment has been given to the owner thereof.

Section 15. Sale of Bond. The Bond shall be sold to the Purchaser at a price of par on the terms and conditions set forth in this resolution, the Loan Agreement and the Bond. The proper officials of the District are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Bond and the items required to be delivered to the Purchaser under the terms of this resolution and for proper use and application of the proceeds of Advances on the Bond. The District approves the Grant upon the terms of the Loan Agreement.

Section 16. General Authorization. The General Manager, Finance Director and the President and Secretary of the Board of Commissioners, and each of the other appropriate officers, agents and representatives of the District are each independently authorized and directed to take such steps, to do such other acts and things, and to execute the Loan Agreement (in as many counterparts as shall be deemed advisable) in the final form negotiated and approved by the General Manager, and pursuant to the direction of the Commission, to execute and deliver from time to time Advance requests, notices, and other documents to be delivered in connection with the Bond and Grant, and such other documents as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified and confirmed.


Section 17. Additional Contracts. All of the provisions of this resolution shall constitute a contract between the District and the holder or holders of the Bond, and from and after the delivery of the Bond no amendment, alteration or modification of this resolution shall, without the prior written consent of the holder or holders of the Bond, be made which shall in any manner impair, impede or lessen the rights of the holder or holders of the Bond.

Section 18. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the District.

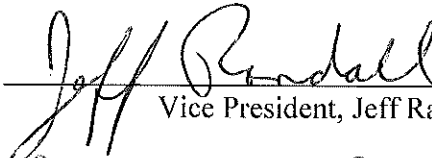
Section 19. Effective Date and Security Document. This resolution shall take effect immediately after its adoption and shall constitute a binding contract between the parties signed below under the heading "Execution as a Security Document."

ADOPTED AND APPROVED by the Board of Commissioners of Public Utility District No. 1 of Jefferson County, Washington, at a meeting this 7th day of June, 2023.

PUBLIC UTILITY DISTRICT NO. 1 OF
JEFFERSON COUNTY, WASHINGTON



President, Kenneth Collins



Vice President, Jeff Randall



Secretary, Dan Toepper