



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager
DATE: March 25, 2016
SUBJECT: Water System Resolution Updates
OBJECTIVE: Approval of Resolution No. 1614

Issue:

With the upcoming Water Utility bond refundings, EWEB has the opportunity to easily update and modernize the Master Water Bond Resolution to include terms relating to financial products and structuring/bond security methods that didn't exist in 1997 when the current Master Water System Resolution was drafted. Staff worked with EWEB's bond counsel, financial advisor and underwriter to update resolution language which provides enhanced flexibility in the current financial markets while maintaining strong credit worthy covenants.

Background:

The Water Utility System is in the process of preparing a bond financing to include money for new money projects and to refund the Series 2002, Series 2005 and Series 2008 bonds for ongoing debt service savings purposes. The retirement of the three prior series of bonds provides an opportunity to introduce "springing amendments" which become effective once all currently outstanding bonds (which also include the Series 2011 bonds) mature or are refunded.

Certain financial mechanisms have been introduced over the past twenty years which were not contemplated and therefore not considered under the original Master Water System Resolution. For example, the introduction of tax-credit bonds like Build America Bonds ("BABS"), or Clean Renewable Energy Bonds ("CREBS") are taxable bonds that are sold with a federal subsidy payment that is then paid back to the Issuer. The existing Master Water System Resolution doesn't contemplate how to account for such subsidy payments as they relate to the Additional Bonds Test (the test that determines whether or not EWEB generates enough revenue to support additional debt), Rate Covenant (the covenant with bondholders that states EWEB will charge rates and charges in order to generate a Debt Service Ratio of 1.25x), or Reserve Fund Requirement (the additional source of reserve funds that are held by EWEB as required by bondholders) sections of the Resolution.

Many comparable bond market participants, similar in size and scope to that of EWEB, have been building Debt Service Reserve Fund ("DSRF") sizing flexibility. The current EWEB DSRF requirement is to fund an amount equal to maximum annual bond interest for all Parity Bonds (Parity Bonds are those that have the same priority of claim against pledged revenues and consist of the

Series 2002, 2005, 2008 and 2011 Water System Bonds) outstanding. This level of funding has provided healthy liquidity balances that have helped maintain the high EWEB Water Utility System bond ratings (Aa2/AA/AA+). Updates to the Master Resolution maintain this same level of funding for the Series 2016 Bonds, but provide additional flexibility to EWEB for future Water System Bonds whereby the DSRF requirement can be determined on a Series-by-Series basis. This additional flexibility allows EWEB to decide the DSRF liquidity funding level at the time of the future borrowing, whether it be higher or lower than the existing requirement, within the IRS tax-maximum calculation.

Discussion

The “springing amendments” EWEB is considering primarily focus on modernizing existing Resolution sections to include additional flexibility in the areas of:

a) **Treatment of federal subsidies,**

Updates the Master Water System Resolution to include defined terms for “Tax Credit Subsidy Bond” and Tax Credit Subsidy Payments” (**SECTION 2. (b) Definitions**) For purposes of calculating the Annual Debt Service amount, any tax subsidy payment would be credited against the annual total which provides a more favorable and industry standard debt service coverage calculation in the event EWEB were to receive such subsidies (updated in **SECTION 3. (a) Annual Debt Service Definition (g)**)

b) **SECTION 3 (b) Reserve Credit Facility Definition:** Rating of Reserve Credit Facilities

A Reserve Credit Facility is an insurance-type product that provides a pre-determined level of dollar coverage for the Debt Service Reserve Fund Requirement.

This updates the Resolution to include the phrase: “is rated at the time of issuance” within the sentence that ends with “of Reserve Credit Facility within one of the highest rating categories by each Rating Agency Rating, at the request of the Board...”. This amendment allows EWEB to purchase a Reserve Credit Facility if it meets certain ratings criteria, but then protects EWEB from having to come up with excess cash that would need to become restricted Debt Service Reserve Fund monies, should the rating on the Reserve Credit Facility drop sometime after bond issuance and during the life of the policy. The Trust Estate (**SECTION 3 (d)**) language has been revised to include language on Reserve Credit Facilities.

c) **SECTION 3 (c) Reserve Requirement Definition:** Series by series debt service reserve requirement

The current Master Water System Resolution Reserve Requirement calculates the Requirement based on all outstanding Series of Bonds. An update to this requirement would allow EWEB to determine and calculate the Reserve Requirement for each additional future Series of bonds at the time of issuance. The administration procedures of the Reserve Account have been updated in **SECTION 3 (e) Administration of the Reserve Account** and **SECTION 3 (g) Reserve Requirement for Additional Bonds** which allows for the funding of the Reserve Requirement over a period not-to-exceed 5 years. This flexibility may be helpful with larger bond issuances.

d) **SECTION 3 (f): Rate covenant**

Amendment to match the language stated in the Master Electric System Resolution.

This amendment removes language that excluded Rate Stabilization Fund transfers from the Net Revenue calculation – used to determine the required debt service coverage level of at least 1.25 times. This will provide flexibility in the debt service coverage calculation in the event revenue is reduced due to low consumption.

- e) **SECTION 4.** Amendment to remove the phrase “authorizing their issuance” from the end of the sentence since the retirement of debt or purchase of bonds in the open market does not constitute an “issuance”.

Additional amendments to Resolution No. 1606 will be effective immediately. Such amendments relate to:

- a) **SECTION 5 (a): Series 2016 Bonds Authorized:** Flexibility to refund all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds. Allows EWEB to determine which bonds are refunded for debt service savings purposes and provides flexibility to determine on the day of pricing whether or not certain bonds should be included as refunding candidates or not.
- b) **SECTION 5 (b): Reserve Account:** Flexibility to fund the Series 2016 Reserve with cash, bond proceeds or a Reserve Credit Facility. The current resolution only allows the Debt Service Reserve Fund to be funded with Series 2016 bond proceeds.
- c) **SECTION 5 (c): Redemption:** Under a situation where Series 2016 Bonds are redeemed in advance, allows for Authorized Representative of EWEB to select specific sinking fund installments (a sinking fund installment is a principal maturity amount within a term bond that consists of two or more years of principal that is sold with one maturity date) within a term bond to be selected for retirement instead of having the Trustee select the bonds. This provides EWEB flexibility if it desires to reduce debt service in a given year where the principal maturity in that year is a part of a term bond (a term bond consists of two or more years of principal maturities that are combined and sold with one maturity date for investor purposes)with annual sinking fund payments.
- d) **SECTION 5 (d) Notice of Redemption:** Under a situation where EWEB may look to refund the Series 2016 Bonds in advance for debt service savings purposes, this amendment allows EWEB to issue a conditional notice of redemption on the Series 2016 bonds whereby an advance notice of refunding is sent out to investors but can be rescinded if savings are no longer at the desired level between the posting of the notice and the sale date of the refunding bonds. This provides flexibility in volatile markets.

Recommendation

Management recommends that the Board approve the proposed updates to the Water Utility System Master Water Bond Resolution. These updates provide EWEB flexibility in the current financial markets while maintaining credit worthy covenants.

Requested Board Action

Approval of Resolution No. 1614.

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**RESOLUTION NO. 1614
April 2016**

SUPPLEMENTAL MASTER WATER BOND RESOLUTION

A SUPPLEMENTAL RESOLUTION AMENDING THE WATER UTILITY SYSTEM REVENUE BONDS MASTER WATER BOND RESOLUTION; AMENDING SUPPLEMENTAL RESOLUTION NO. 1606; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, on September 2, 1997 the Eugene Water & Electric Board (“EWEB”) adopted a Master Water Bond Resolution (the “Master Resolution”) authorizing the issuance of Water Utility System Revenue Refunding Bonds, Series 1997, in the aggregate principal amount of \$6,615,000 (the “Series 1997 Bonds”) for the purpose of financing construction of any additions, replacements, expansions, renewals or improvements to the Water Utility System operated by EWEB (the “Water Utility System”);

WHEREAS, EWEB has previously issued Additional Bonds pursuant to the terms of the Master Resolution as follows: \$21,405,000 Water Utility System Revenue Bonds, Series 2000 (the “Series 2000 Bonds”), \$10,000,000 Water Utility System Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), \$12,540,000 Water Utility System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), \$15,595,000 Water Utility System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and \$17,300,000 Water Utility System Revenue Bonds, Series 2011 (the “Series 2011 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 requesting that the City (1) authorize and set the terms for the issuance and sale of water utility system revenue bonds in the aggregate principal amount not to exceed \$18,000,000 for the purpose of financing improvements to the water utility system, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) authorize and set the terms for the issuance and sale of water utility refunding bonds in the aggregate principal amount not to exceed \$35,000,000 for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of notice of Water Utility System Revenue Bond Authorization in accordance with Oregon Revised Statutes (“ORS”) 287A.150;

WHEREAS, on October 12, 2015, the City Council adopted its Resolution No. 5139 (the “City Resolution”) authorizing the issuance and sale by the City, acting by and through EWEB, of bonds, in one or more series, in an aggregate principal amount not to exceed (1) \$18,000,000 for the purpose of providing funds for the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) \$35,000,000 for the purpose of refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; and (3) authorize publication of Notice of Water Utility System Revenue Bond Authorization in accordance with ORS 287A.150;

WHEREAS, on October 14, 2015, the Notice of Revenue Bond Authorization relating to the water utility system revenue bonds was published in The Register-Guard, a newspaper of

general circulation within the geographical boundaries of the City, and sixty (60) days elapsed since the publication of such Notice and no voters residing within the geographical boundaries of the City filed a petition with the City asking to have the question of whether to issue the Water Utility System Revenue Bonds for the Project in the aggregate principal amount not to exceed \$18,000,000 referred to a vote;

WHEREAS, on March 1, 2016, EWEB adopted Supplemental Bond Resolution No. 1606 (“Supplemental Resolution No. 1606”) authorizing the issuance of Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), for the purposes of (1) financing improvements to the Water Utility System in the aggregate principal amount not to exceed \$18,000,000 and (2) refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds in the aggregate principal amount not to exceed \$35,000,000 and providing for related matters;

WHEREAS, Section 16.A.(1) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to cure any ambiguity or formal defect or omission in the Master Resolution;

WHEREAS, Section 16.A.(11) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any other respect whatever, provided that:

- (a) no Bonds affected by such modification shall be Outstanding at the date of the adoption of such Supplemental Resolution; or
- (b) such modification shall be, and be expressed to be, effective only after all affected Outstanding Bonds at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding Bonds, and such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of such Supplemental Resolution and of Bonds issues in exchange therefor or in place thereof; or
- (c) such modification does not materially and adversely affect the rights of the Bondowners of any Outstanding Bonds;

WHEREAS, EWEB finds it advantageous to amend the Master Resolution to (i) implement springing amendments, such amendments to be effective for the Series 2016 Bonds and all Additional Bonds only after and upon all Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds cease to be Outstanding Bonds and (i) implement an amendment to be effective immediately; and

WHEREAS, EWEB finds it advantageous to amend Supplemental Resolution No. 1606, such amendments to be effective for the Series 2016 Bonds as of the date hereof.

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings.

(a) The Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners pursuant to Sections 16.A.(1) and 16.A.(11).

(b) This Supplemental Master Water Bond Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of this Supplemental Master Water Bond Resolution and of Bonds issued in exchanged therefor or in place thereof.

(c) Prior to the issuance of any Series 2016 Bonds, EWEB shall: (i) prepare a plan showing that the estimated Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds, and (ii) provide a copy of this Supplemental Master Water Bond Resolution to the City.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Master Water Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental Master Water Bond Resolution have the respective meanings given to them in the Master Resolution.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Master Resolution and of any supplemental resolution (including for all purposes, this Supplemental Master Water Bond Resolution), and for all purposes of any certificate, opinion, instrument or other document therein or herein mentioned, have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and vice versa:

“2016 Reserve Subaccount” means the account created in Section ~~3-(f5.(b))~~ of this Supplemental Indenture.

“Supplemental Master Water Bond Resolution” shall mean this Supplemental Master Water Bond Resolution adopted by Eugene Water & Electric Board on April 5, 2016.

“Tax Credit Subsidy Bond” means any Bond that is designated by the Board as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any similar taxable tax credit bond program, and which is further designated by the Board as a “qualified bond” with respect to which the Board is eligible to receive a tax credit payable by the United States Treasury to the Board under Section 6431 or a similar provision of the Code.

“Tax Credit Subsidy Payments” means those amounts which the Board is scheduled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Master Water Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution, this Supplemental Master Water

Bond Resolution or Supplemental Resolution No. 1606, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, this Supplemental Master Water Bond Resolution only, or Supplemental Resolution No. 1606, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental Master Water Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms “therein,” “thereunder,” “thereby,” “thereto,” “thereof,” and any similar terms refer to the Master Resolution and to the Master Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term “heretofore” means before the time of effectiveness of this Supplemental Master Water Bond Resolution.

SECTION 3. Springing Amendments to Master Resolution. Pursuant to the provisions of Section 16.A.(11)(b) of the Master Resolution, the Master Resolution is hereby amended and restated in the following respects, such amendments and restatements to become effective only after and upon all Outstanding Bonds as of the date of this Supplemental Master Water Bond Resolution shall cease to be Outstanding Bonds. As of the date of this Supplemental Master Water Bond Resolution, the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds are Outstanding Bonds.

(a) **Annual Debt Service Definition.** Section 1.A.(5) of the Master Resolution is amended and restated as follows:

“‘Annual Debt Service’ shall mean the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal and interest on any Outstanding Bonds, any Outstanding Subordinate Obligations and under any existing Derivative Product; provided that:

(a) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that the Master Resolution, Supplemental Resolution or other act of the City authorizing the issuance of such Bonds or Subordinate Obligations designates that the proceeds of such Bonds or Subordinate Obligations shall be applied to the payment of such interest;

(b) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Reciprocal Payments for such Fiscal Year against the aggregate amount of all City Payments for such Fiscal Year;

(c) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;

(d) for purposes of determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations, any such Option Obligations Outstanding at the

time of such determination shall be assumed to mature on their stated dates of maturity; provided that if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(e) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements; ~~and~~

(f) for purposes of determining the Reserve Requirement and for purposes of the rate covenant contained in Section 9 hereof and the certificate required by Section 10A(5)(a) or 10A(5)(b) of this Master Resolution, Annual Debt Service or Maximum Annual Debt Service shall be computed by assuming that Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption; ~~and~~

(g) there shall be credited against such sum any amounts scheduled to be received by the Board as a Tax Credit Subsidy Payment in each such period for any Tax Credit Subsidy Bonds outstanding.”

(b) **Reserve Credit Facility Definition.** Section 1.A.(75) of the Master Resolution is amended and restated as follows:

“‘Reserve Credit Facility’ shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) is rated at the time of issuance of the Reserve Credit Facility within one of the highest rating categories by each Rating Agency rating, at the request of the Board, the Series of Bonds in connection with which such Reserve Credit Facility is being given or provided.”

(c) **Reserve Requirement Definition.** Section 1.A.(76) of the Master Resolution is amended and restated as follows:

“‘Reserve Requirement’ means:

(a) For ~~any~~ the Series of 2016 Bonds, the greatest amount of interest required to be paid on the Series 2016 Bonds in any Fiscal Year ~~such~~ the Series 2016 Bonds will be Outstanding as of the date of calculation; ~~and~~

(b) For any series of Additional Bonds, an amount to be set forth in the Supplemental Resolution authorizing such Bonds.”

(d) **Trust Estate.** Section 2.D. of the Master Resolution shall be amended and restated as follows:

“As security for the payment of the principal, interest and premium (if any) on ~~all~~ Outstanding Bonds, the Board hereby pledges, ~~subject only to the prior lien on Revenues as provided for in Section 3.2 of the 1986 Resolution which shall continue to secure the 1995 Bonds until the same have been paid or otherwise discharged or defeased under Article XIII of the 1986 Resolution,~~ to the Registered Owners of the Outstanding Bonds all of the Board’s right, title and interest in the following:

- (i) the Net Revenues;
- (ii) the moneys and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account);

~~(iii) the money, investments and the Reserve Account, including without limitation the Board’s right, title and interest in any Reserve Credit Facilities (and any moneys drawn or paid thereunder) given with respect to meeting on deposit in a subaccount of the Reserve Requirement on a particular Account allocable to any Series of Bonds, provided that such Reserve Account subaccount secures only those Bonds for which it was established;~~

~~(iv)(iii)~~ any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder); provided that such Credit Facility secures only those Bonds for which it was given; and

~~(v)(iv)~~ such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

The foregoing is referred to herein as the “Trust Estate.””

(e) **Administration of the Reserve Account.** Section 7.D. of the Master Resolution shall be amended and restated as follows:

“The Reserve Account shall be administered as follows:

(1) The Board covenants with the Owners of the Bonds that it will, on the first day of each Fiscal Year, so long as any Bonds remain Outstanding, determine an amount such that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series ~~for the~~ of Bonds as of that date. If the amount on deposit in any subaccount of the Reserve Account is less than the Reserve Requirement, the deficiency

shall be eliminated from payments for such purpose available from the Water Revenue Fund in proportionate monthly amounts so that the Reserve Requirement for ~~the~~ each Series of Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in any subaccount of the Reserve Account is more than the Reserve Requirement on any date specified in paragraph B₂(3) of this Section 7, any such excess may be transferred by the Board to the Water Revenue Fund. The balance in any subaccount of the Reserve Account shall include, in addition to Permitted Investments, cash deposits and deposits of Bond proceeds, the face amount of any Reserve Credit Facility. In lieu of or in addition to depositing cash or Permitted Investments to any subaccount of the Reserve Account, the Board may from time to time deposit a Reserve Credit Facility to any subaccount of the Reserve Account. With respect to any Reserve Credit Facility, the Bond Registrar shall hold and administer the Reserve Credit Facility and shall maintain adequate records, verified with the Credit Provider(s), as to the amount available to be drawn at any given time under the Reserve Credit Facility and as to the amounts paid and owing to the Credit Provider(s).

(2) Monies in any subaccount of the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds secured by such subaccount, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code.

(3) If, on any date upon which any amounts of principal of or interest on the Bonds are due and payable, the amounts on deposit in the Debt Service Account allocable to a Series of Outstanding Bonds on a pro-rata basis when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on a Series of ~~the~~ Outstanding Bonds due on such date, then the Board shall withdraw from the Reserve Account subaccount allocable to such Series of Outstanding Bonds in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on such Series of ~~the~~ Outstanding Bonds on such date; provided that with respect to draws on the Reserve Credit Facility, if any, the Bond Registrar, as Paying Agent, shall deliver a demand for payment at least three (3) days prior to the date on which funds are required as set forth in a particular Reserve Credit Facility.

Withdrawals from ~~the~~ a Reserve Account subaccount allocable to a Series of Bonds shall be made in the following order of priority:

First, from any cash on deposit in the Reserve Account subaccount;

Second, from the liquidation proceeds of any Permitted Investments made from moneys on deposit in the Reserve Account subaccount; and

Third, from moneys drawn or paid under any Reserve Credit Facility *allocable to such Series of Bonds* or pro-rata from moneys drawn or paid under several such Reserve Credit Facilities *allocable to such Series of Bonds*.

(4) The amounts on deposit in the Reserve Account shall be determined by the Board (a) as of the first day of each Fiscal Year, (b) as of the date of issuance of any Additional Bonds hereunder, and (c) as of the date of any withdrawal from the Reserve Account.

(5) All amounts on deposit in the Reserve Account which are allocable to a particular Series of Bonds may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 18 hereof) of Outstanding Bonds of that Series.

(6) Any Resolution authorizing the issuance of a Series of Additional Bonds shall require a deposit into the Reserve Account of an amount sufficient to make the balance in the Reserve ~~Fund Account~~ at least equal to the Reserve Requirement, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility.

The deposit required by Section 7.D.(6) may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Additional Bonds. If the Board elects to fund the portion of the Reserve Requirement which is allocable to a Series of Additional Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Additional Bonds.

~~(8) Notwithstanding anything to the contrary set forth in this Master Resolution, within (7) Within 90 days of the effective date of the Supplemental Master Water Bond Resolution, the Board shall transfer Permitted Investments, cash and any Reserve Credit Facility in the Reserve Account to the 2016 Reserve Subaccount and any other subaccount established for Outstanding Bonds so that the effect of such transfers is that the Reserve Requirements for the Outstanding Bonds are funded on an approximately pro rata basis. Any Reserve Credit Facility given with respect to meeting the Reserve Requirement on a particular Series of Bonds shall be transferred to the Reserve Account subaccount established for such Series of Bonds.”~~

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~~(7) (8) Notwithstanding anything to the contrary set forth in this Master Resolution, amounts on deposit in the 2016 Reserve Subaccount shall be applied solely to the payment of debt service due on the Series 2016 Bonds.”~~

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(f) ~~2016 Reserve Subaccount.~~ The following text is added to Section 7 of the Master Resolution:

~~“I. There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a separate subaccount for the Series 2016 Bonds, the “2016 Reserve Subaccount”.”~~

(g)(f) **Rate Covenant**, Section 9.B. of the Master Resolution is amended and restated as follows:

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“The Board may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of this Master Resolution. If the Board transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, the Board covenants for the benefit of the Owners of the 1995 Bonds and all Bonds that it will charge rates and fees in connection with operation of the System which, when combined with other Gross Revenues, are adequate to generate Net Revenues (exclusive of transfers from the Rate Stabilization Account) in such Fiscal Year at least equal to 1.25 times Annual Debt Service due in that Fiscal Year for all 1995 Bonds and Outstanding Bonds. If the Net Revenues fail to meet this level, the Board will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues (exclusive of transfers from the Rate Stabilization Account) are projected to meet the required level.

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The Treasurer shall annually, within six months after the close of each Fiscal Year, prepare a Board Certificate based on the Board’s audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for ~~the 1995 Bonds and~~ the Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If the Certificate filed shows that such Net Revenues fail to meet the requirements of Section 9A of this Master Resolution, *(and, if applicable, Section 9B of this Master Resolution)*, then the Treasurer shall simultaneously prepare a Certificate of the Board stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, ~~would have resulted~~ *expects to result* in ~~greater~~ Net Revenues sufficient to satisfy the requirements of Section 9A of this Master Resolution *(and, if applicable, Section 9B of this Master Resolution)*, together with a copy of a resolution, adopted by the Board and certified of the Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days from the date of the Board Certificate.”

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(h)(g) **Reserve Requirement for Additional Bonds**, Section 10.A.(3) of the Master Resolution is amended and restated as follows:

“Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of ~~the a Series of~~ Additional Bonds shall *state the Reserve Requirement for such Series and* require that a deposit be made at closing sufficient to bring the balances in the Reserve Account equal to the Reserve Requirement for ~~at each~~ *each Series of* Outstanding Bonds, including the proposed Series of Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds may provide that the Board may make deposits to the Reserve Account *and any subaccount for any Series of Bonds* over a period that is not in excess of a five-year period following the date of delivery of such *Series of* Additional Bonds. For purposes of Section 10.A.(2) of this

Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence.”

SECTION 4. Amendment to Section 8.A.(8) of the Master Resolution. Pursuant to Section 16.A.(1) of the Master Resolution, Section 8.A.(8) of the Master Resolution is hereby amended and restated as follows:

“To retire by optional redemption or purchase in the open market any Outstanding Bonds or other revenue obligations of the Board as authorized in Supplemental Resolutions of the Board ~~authorizing their issuance.~~”

SECTION 5. Amendments to Supplemental Resolution No. 1606. Pursuant to the provisions of Section 16.A.(11)(a) of the Master Resolution, Supplemental Resolution No. 1606 is hereby amended and restated in the following respects.

(a) **Series 2016 Bonds Authorized.** Section 3.(b) of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“An undivided amount not to exceed \$35,000,000 is determined to be the aggregate principal amount of the Series 2016 Refunding Bonds, and the proceeds of the sale thereof shall be used as determined by the Authorized Representative in connection with the refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, the payment of related costs of issuance and any required incremental deposit to the Reserve Account.”

(b) **Reserve Account.** Section 10 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“In connection with the issuance of the Series 2016 Bonds, a deposit into the Reserve Account or the provision of a Reserve Credit Facility in an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement is required. The deposit into the reserve account to meet the Reserve Requirement will be funded with Series 2016 Bond proceeds, cash or a Reserve Credit Facility as determined by the Authorized Representative.”

There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a subaccount for the Series 2016 Bonds, the “2016 Reserve Subaccount”. Deposits in the 2016 Reserve Subaccount shall secure all Outstanding Bonds until such time the springing amendments in Section 3 of the Supplemental Master Water Bond Resolution are effective.”

(c) **Redemption.** Section 15 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“The Series 2016 Bonds may be subject to optional redemption and mandatory redemption prior to maturity as determined by the Authorized Representative pursuant to Section 18 hereof. In the case of partial optional redemption of Series 2016 Bonds,

selection of individual sinking fund installments of any Series 2016 Bonds issued as term bonds to be redeemed may be designated by EWEB.”

(d) **Notice of Redemption.** Section 16 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“Official notice of redemption shall be given by the Registrar on behalf of EWEB by mailing a copy of an official redemption notice by first-class mail at least 20 days prior to the date fixed for redemption to the registered owner(s) of the Series 2016 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar, and by publishing the notice as required by law; provided that so long as a book-entry only system is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in DTC’s Operational Arrangements, and the Registrar shall not be required to give any other notice of redemption otherwise required herein, except for publishing the notice as required by law.

Any notice of optional redemption may state that the optional redemption is conditional upon receipt by the Registrar of moneys sufficient to pay the redemption price of such Series 2016 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to the Owner as promptly as practicable upon the failure of such condition or the occurrence of such other event.”

SECTION 6. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall be the beneficial owners from time to time (collectively, the “Bondowners”), the provisions of this Supplemental Master Water Bond Resolution shall be part of the contract of EWEB with the Bondowners and shall be deemed to be and shall constitute a contract between EWEB and the Bondowners. The covenants, pledges, representations and warranties contained in this Supplemental Master Water Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Master Water Bond Resolution or the Master Resolution.

SECTION 7. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Master Water Bond Resolution.

SECTION 8. Effect.

Except as expressly amended and supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein. Except as expressly amended and supplemented hereby, Supplemental Resolution No. 1606 remain in full force and effect as if the same were fully set forth herein.

SECTION 9. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Master Water Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 10. References to Statutes in Master Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Master Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

PASSED AND ADOPTED this 5th day of April 2016.

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its April 5, 2016 Board Meeting.

Assistant Secretary

RESOLUTION NO. 1614
April 2016

SUPPLEMENTAL MASTER WATER BOND RESOLUTION

**A SUPPLEMENTAL RESOLUTION AMENDING THE WATER UTILITY
SYSTEM REVENUE BONDS MASTER WATER BOND RESOLUTION;
AMENDING SUPPLEMENTAL RESOLUTION NO. 1606; AND
PROVIDING FOR RELATED MATTERS.**

WHEREAS, on September 2, 1997 the Eugene Water & Electric Board (“EWEB”) adopted a Master Water Bond Resolution (the “Master Resolution”) authorizing the issuance of Water Utility System Revenue Refunding Bonds, Series 1997, in the aggregate principal amount of \$6,615,000 (the “Series 1997 Bonds”) for the purpose of financing construction of any additions, replacements, expansions, renewals or improvements to the Water Utility System operated by EWEB (the “Water Utility System”);

WHEREAS, EWEB has previously issued Additional Bonds pursuant to the terms of the Master Resolution as follows: \$21,405,000 Water Utility System Revenue Bonds, Series 2000 (the “Series 2000 Bonds”), \$10,000,000 Water Utility System Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), \$12,540,000 Water Utility System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), \$15,595,000 Water Utility System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and \$17,300,000 Water Utility System Revenue Bonds, Series 2011 (the “Series 2011 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 requesting that the City (1) authorize and set the terms for the issuance and sale of water utility system revenue bonds in the aggregate principal amount not to exceed \$18,000,000 for the purpose of financing improvements to the water utility system, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) authorize and set the terms for the issuance and sale of water utility refunding bonds in the aggregate principal amount not to exceed \$35,000,000 for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of notice of Water Utility System Revenue Bond Authorization in accordance with Oregon Revised Statutes (“ORS”) 287A.150;

WHEREAS, on October 12, 2015, the City Council adopted its Resolution No. 5139 (the “City Resolution”) authorizing the issuance and sale by the City, acting by and through EWEB, of bonds, in one or more series, in an aggregate principal amount not to exceed (1) \$18,000,000 for the purpose of providing funds for the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) \$35,000,000 for the purpose of refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; and (3) authorize publication of Notice of Water Utility System Revenue Bond Authorization in accordance with ORS 287A.150;

WHEREAS, on October 14, 2015, the Notice of Revenue Bond Authorization relating to the water utility system revenue bonds was published in The Register-Guard, a newspaper of

general circulation within the geographical boundaries of the City, and sixty (60) days elapsed since the publication of such Notice and no voters residing within the geographical boundaries of the City filed a petition with the City asking to have the question of whether to issue the Water Utility System Revenue Bonds for the Project in the aggregate principal amount not to exceed \$18,000,000 referred to a vote;

WHEREAS, on March 1, 2016, EWEB adopted Supplemental Bond Resolution No. 1606 (“Supplemental Resolution No. 1606”) authorizing the issuance of Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), for the purposes of (1) financing improvements to the Water Utility System in the aggregate principal amount not to exceed \$18,000,000 and (2) refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds in the aggregate principal amount not to exceed \$35,000,000 and providing for related matters;

WHEREAS, Section 16.A.(1) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to cure any ambiguity or formal defect or omission in the Master Resolution;

WHEREAS, Section 16.A.(11) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any other respect whatever, provided that:

- (a) no Bonds affected by such modification shall be Outstanding at the date of the adoption of such Supplemental Resolution; or
- (b) such modification shall be, and be expressed to be, effective only after all affected Outstanding Bonds at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding Bonds, and such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of such Supplemental Resolution and of Bonds issues in exchange therefor or in place thereof; or
- (c) such modification does not materially and adversely affect the rights of the Bondowners of any Outstanding Bonds;

WHEREAS, EWEB finds it advantageous to amend the Master Resolution to (i) implement springing amendments, such amendments to be effective for the Series 2016 Bonds and all Additional Bonds only after and upon all Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds cease to be Outstanding Bonds and (i) implement an amendment to be effective immediately; and

WHEREAS, EWEB finds it advantageous to amend Supplemental Resolution No. 1606, such amendments to be effective for the Series 2016 Bonds as of the date hereof.

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings.

(a) The Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners pursuant to Sections 16.A.(1) and 16.A.(11).

(b) This Supplemental Master Water Bond Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of this Supplemental Master Water Bond Resolution and of Bonds issued in exchanged therefor or in place thereof.

(c) Prior to the issuance of any Series 2016 Bonds, EWEB shall: (i) prepare a plan showing that the estimated Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds, and (ii) provide a copy of this Supplemental Master Water Bond Resolution to the City.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Master Water Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental Master Water Bond Resolution have the respective meanings given to them in the Master Resolution.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Master Resolution and of any supplemental resolution (including for all purposes, this Supplemental Master Water Bond Resolution), and for all purposes of any certificate, opinion, instrument or other document therein or herein mentioned, have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and vice versa:

“2016 Reserve Subaccount” means the account created in Section 5.(b) of this Supplemental Indenture.

“Supplemental Master Water Bond Resolution” shall mean this Supplemental Master Water Bond Resolution adopted by Eugene Water & Electric Board on April 5, 2016.

“Tax Credit Subsidy Bond” means any Bond that is designated by the Board as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any similar taxable tax credit bond program, and which is further designated by the Board as a “qualified bond” with respect to which the Board is eligible to receive a tax credit payable by the United States Treasury to the Board under Section 6431 or a similar provision of the Code.

“Tax Credit Subsidy Payments” means those amounts which the Board is scheduled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Master Water Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution, this Supplemental Master Water

Bond Resolution or Supplemental Resolution No. 1606, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, this Supplemental Master Water Bond Resolution only, or Supplemental Resolution No. 1606, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental Master Water Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms “therein,” “thereunder,” “thereby,” “thereto,” “thereof,” and any similar terms refer to the Master Resolution and to the Master Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term “heretofore” means before the time of effectiveness of this Supplemental Master Water Bond Resolution.

SECTION 3. Springing Amendments to Master Resolution. Pursuant to the provisions of Section 16.A.(11)(b) of the Master Resolution, the Master Resolution is hereby amended and restated in the following respects, such amendments and restatements to become effective only after and upon all Outstanding Bonds as of the date of this Supplemental Master Water Bond Resolution shall cease to be Outstanding Bonds. As of the date of this Supplemental Master Water Bond Resolution, the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds are Outstanding Bonds.

(a) **Annual Debt Service Definition.** Section 1.A.(5) of the Master Resolution is amended and restated as follows:

“‘Annual Debt Service’ shall mean the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal and interest on any Outstanding Bonds, any Outstanding Subordinate Obligations and under any existing Derivative Product; provided that:

(a) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that the Master Resolution, Supplemental Resolution or other act of the City authorizing the issuance of such Bonds or Subordinate Obligations designates that the proceeds of such Bonds or Subordinate Obligations shall be applied to the payment of such interest;

(b) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Reciprocal Payments for such Fiscal Year against the aggregate amount of all City Payments for such Fiscal Year;

(c) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;

(d) for purposes of determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations, any such Option Obligations Outstanding at the

time of such determination shall be assumed to mature on their stated dates of maturity; provided that if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(e) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements;

(f) for purposes of determining the Reserve Requirement and for purposes of the rate covenant contained in Section 9 hereof and the certificate required by Section 10A(5)(a) or 10A(5)(b) of this Master Resolution, Annual Debt Service or Maximum Annual Debt Service shall be computed by assuming that Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption; and

(g) there shall be credited against such sum any amounts scheduled to be received by the Board as a Tax Credit Subsidy Payment in each such period for any Tax Credit Subsidy Bonds outstanding.”

(b) **Reserve Credit Facility Definition.** Section 1.A.(75) of the Master Resolution is amended and restated as follows:

“‘Reserve Credit Facility’ shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) is rated at the time of issuance of the Reserve Credit Facility within one of the highest rating categories by each Rating Agency rating, at the request of the Board, the Series of Bonds in connection with which such Reserve Credit Facility is being given or provided.”

(c) **Reserve Requirement Definition.** Section 1.A.(76) of the Master Resolution is amended and restated as follows:

“‘Reserve Requirement’ means:

(a) For the Series 2016 Bonds, the greatest amount of interest required to be paid on the Series 2016 Bonds in any Fiscal Year the Series 2016 Bonds will be Outstanding as of the date of calculation; and

(b) For any series of Additional Bonds, an amount to be set forth in the Supplemental Resolution authorizing such Bonds.”

(d) **Trust Estate.** Section 2.D. of the Master Resolution shall be amended and restated as follows:

“As security for the payment of the principal, interest and premium (if any) on Outstanding Bonds, the Board hereby pledges to the Registered Owners of the Outstanding Bonds all of the Board’s right, title and interest in the following:

(i) the Net Revenues;

(ii) the moneys and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account);

(iii) the money, investments and Reserve Credit Facilities (and any moneys drawn or paid thereunder) on deposit in a subaccount of the Reserve Account allocable to any Series of Bonds, provided that such Reserve Account subaccount secures only those Bonds for which it was established;

(iv) any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder), provided that such Credit Facility secures only those Bonds for which it was given; and

(v) such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

The foregoing is referred to herein as the ‘Trust Estate.’”

(e) **Administration of the Reserve Account.** Section 7.D. of the Master Resolution shall be amended and restated as follows:

“The Reserve Account shall be administered as follows:

(1) The Board covenants with the Owners of the Bonds that it will, on the first day of each Fiscal Year, so long as any Bonds remain Outstanding, determine an amount such that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series of Bonds as of that date. If the amount on deposit in any subaccount of the Reserve Account is less than the Reserve Requirement, the deficiency shall be eliminated from payments for such purpose available from the Water Revenue Fund in proportionate monthly amounts so that the Reserve Requirement for each Series of Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in any subaccount of the Reserve Account is more than the Reserve Requirement on any date specified in paragraph B.(3) of this Section 7, any such excess may be transferred by

the Board to the Water Revenue Fund. The balance in any subaccount of the Reserve Account shall include, in addition to Permitted Investments, cash deposits and deposits of Bond proceeds, the face amount of any Reserve Credit Facility. In lieu of or in addition to depositing cash or Permitted Investments to any subaccount of the Reserve Account, the Board may from time to time deposit a Reserve Credit Facility to any subaccount of the Reserve Account. With respect to any Reserve Credit Facility, the Bond Registrar shall hold and administer the Reserve Credit Facility and shall maintain adequate records, verified with the Credit Provider(s), as to the amount available to be drawn at any given time under the Reserve Credit Facility and as to the amounts paid and owing to the Credit Provider(s).

(2) Monies in any subaccount of the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds secured by such subaccount, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code.

(3) If, on any date upon which any amounts of principal of or interest on the Bonds are due and payable, the amounts on deposit in the Debt Service Account allocable to a Series of Outstanding Bonds on a pro-rata basis when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on a Series of Outstanding Bonds due on such date, then the Board shall withdraw from the Reserve Account subaccount allocable to such Series of Outstanding Bonds in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on such Series of Outstanding Bonds on such date; provided that with respect to draws on the Reserve Credit Facility, if any, the Bond Registrar, as Paying Agent, shall deliver a demand for payment at least three (3) days prior to the date on which funds are required as set forth in a particular Reserve Credit Facility.

Withdrawals from a Reserve Account subaccount allocable to a Series of Bonds shall be made in the following order of priority:

First, from any cash on deposit in the Reserve Account subaccount;

Second, from the liquidation proceeds of any Permitted Investments made from moneys on deposit in the Reserve Account subaccount; and

Third, from moneys drawn or paid under any Reserve Credit Facility allocable to such Series of Bonds or pro-rata from moneys drawn or paid under several such Reserve Credit Facilities allocable to such Series of Bonds.

(4) The amounts on deposit in the Reserve Account shall be determined by the Board (a) as of the first day of each Fiscal Year, (b) as of the date of issuance of any Additional Bonds hereunder, and (c) as of the date of any withdrawal from the Reserve Account.

(5) All amounts on deposit in the Reserve Account which are allocable to a particular Series of Bonds may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 18 hereof) of Outstanding Bonds of that Series.

(6) Any Resolution authorizing the issuance of a Series of Additional Bonds shall require a deposit into the Reserve Account of an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility.

The deposit required by Section 7.D.(6) may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Additional Bonds. If the Board elects to fund the portion of the Reserve Requirement which is allocable to a Series of Additional Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Additional Bonds.

(7) Within 90 days of the effective date of the Supplemental Master Water Bond Resolution, the Board shall transfer Permitted Investments, cash and any Reserve Credit Facility in the Reserve Account to the 2016 Reserve Subaccount and any other subaccount established for Outstanding Bonds so that the effect of such transfers is that the Reserve Requirements for the Outstanding Bonds are funded on an approximately pro rata basis. Any Reserve Credit Facility given with respect to meeting the Reserve Requirement on a particular Series of Bonds shall be transferred to the Reserve Account subaccount established for such Series of Bonds.

(8) Notwithstanding anything to the contrary set forth in this Master Resolution, amounts on deposit in the 2016 Reserve Subaccount shall be applied solely to the payment of debt service due on the Series 2016 Bonds.”

(f) **Rate Covenant.** Section 9.B. of the Master Resolution is amended and restated as follows:

“The Board may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of this Master Resolution. If the Board transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, the Board covenants for the benefit of the Owners of the 1995 Bonds and all Bonds that it will charge rates and fees in connection with operation of the System which, when combined with other Gross Revenues, are adequate to generate Net Revenues (exclusive of transfers from the Rate Stabilization Account) in such Fiscal Year at least equal to 1.25 times Annual Debt Service due in that Fiscal Year for all 1995 Bonds and Outstanding Bonds. If the Net Revenues fail to meet this level, the Board will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues (exclusive of transfers from the Rate Stabilization Account) are projected to meet the required level.

The Treasurer shall annually, within six months after the close of each Fiscal Year, prepare a Board Certificate based on the Board's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for the Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If the Certificate filed shows that such Net Revenues fail to meet the requirements of Section 9A of this Master Resolution (and, if applicable, Section 9B of this Master Resolution), then the Treasurer shall simultaneously prepare a Certificate of the Board stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, expects to result in Net Revenues sufficient to satisfy the requirements of Section 9A of this Master Resolution (and, if applicable, Section 9B of this Master Resolution), together with a copy of a resolution, adopted by the Board and certified of the Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days from the date of the Board Certificate."

(g) **Reserve Requirement for Additional Bonds.** Section 10.A.(3) of the Master Resolution is amended and restated as follows:

"Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of a Series of Additional Bonds shall state the Reserve Requirement for such Series and require that a deposit be made at closing sufficient to bring the balances in the Reserve Account equal to the Reserve Requirement for ~~all~~ each Series of Outstanding Bonds, including the proposed Series of Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds may provide that the Board may make deposits to the Reserve Account and any subaccount for any Series of Bonds over a period that is not in excess of a five-year period following the date of delivery of such Series of Additional Bonds. For purposes of Section 10.A.(2) of this Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence."

SECTION 4. Amendment to Section 8.A.(8) of the Master Resolution. Pursuant to Section 16.A.(1) of the Master Resolution, Section 8.A.(8) of the Master Resolution is hereby amended and restated as follows:

"To retire by optional redemption or purchase in the open market any Outstanding Bonds or other revenue obligations of the Board as authorized in Supplemental Resolutions of the Board."

SECTION 5. Amendments to Supplemental Resolution No. 1606. Pursuant to the provisions of Section 16.A.(11)(a) of the Master Resolution, Supplemental Resolution No. 1606 is hereby amended and restated in the following respects.

(a) **Series 2016 Bonds Authorized.** Section 3.(b) of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“An undivided amount not to exceed \$35,000,000 is determined to be the aggregate principal amount of the Series 2016 Refunding Bonds, and the proceeds of the sale thereof shall be used as determined by the Authorized Representative in connection with the refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, the payment of related costs of issuance and any required incremental deposit to the Reserve Account.”

(b) **Reserve Account.** Section 10 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“In connection with the issuance of the Series 2016 Bonds, a deposit into the Reserve Account or the provision of a Reserve Credit Facility in an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement is required. The deposit into the reserve account to meet the Reserve Requirement will be funded with Series 2016 Bond proceeds, cash or a Reserve Credit Facility as determined by the Authorized Representative.

There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a subaccount for the Series 2016 Bonds, the “2016 Reserve Subaccount”. Deposits in the 2016 Reserve Subaccount shall secure all Outstanding Bonds until such time the springing amendments in Section 3 of the Supplemental Master Water Bond Resolution are effective.”

(c) **Redemption.** Section 15 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“The Series 2016 Bonds may be subject to optional redemption and mandatory redemption prior to maturity as determined by the Authorized Representative pursuant to Section 18 hereof. In the case of partial optional redemption of Series 2016 Bonds, selection of individual sinking fund installments of any Series 2016 Bonds issued as term bonds to be redeemed may be designated by EWEB.”

(d) **Notice of Redemption.** Section 16 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“Official notice of redemption shall be given by the Registrar on behalf of EWEB by mailing a copy of an official redemption notice by first-class mail at least 20 days prior to the date fixed for redemption to the registered owner(s) of the Series 2016 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar, and by publishing the notice as required by law; provided that so long as a book-entry only system is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in DTC’s Operational Arrangements, and the Registrar shall not be required to give any other notice of redemption otherwise required herein, except for publishing the notice as required by law.

Any notice of optional redemption may state that the optional redemption is conditional upon receipt by the Registrar of moneys sufficient to pay the redemption

price of such Series 2016 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to the Owner as promptly as practicable upon the failure of such condition or the occurrence of such other event.”

SECTION 6. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall be the beneficial owners from time to time (collectively, the “Bondowners”), the provisions of this Supplemental Master Water Bond Resolution shall be part of the contract of EWEB with the Bondowners and shall be deemed to be and shall constitute a contract between EWEB and the Bondowners. The covenants, pledges, representations and warranties contained in this Supplemental Master Water Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Master Water Bond Resolution or the Master Resolution.

SECTION 7. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Master Water Bond Resolution.

SECTION 8. Effect.

Except as expressly amended and supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein. Except as expressly amended and supplemented hereby, Supplemental Resolution No. 1606 remain in full force and effect as if the same were fully set forth herein.

SECTION 9. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Master Water Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 10. References to Statutes in Master Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Master Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

PASSED AND ADOPTED this 5th day of April 2016.

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its April 5, 2016 Board Meeting.

Assistant Secretary