



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: February 19, 2016
SUBJECT: Resolution No. 1606 Requesting Bond Sale Authorization
OBJECTIVE: Approval of Supplemental Bond Resolution No. 1606

Issue

Board approval is required to issue Water Utility Revenue Bonds and also refund certain outstanding bonds to achieve interest savings.

Background

At the September 1, 2015 Board meeting, Commissioners approved Resolution No. 1524 requesting City Council action on the issuance and refunding of Water Utility Revenue Bonds. The City Council adopted Resolution No. 5139 at its October 12, 2015 meeting which authorized the sale of bonds not to exceed \$18 million for financing improvements to the Water Utility System and up to \$35 million to refund all, or a portion of, the Series 2002, Series 2005 and Series 2008 Water Utility Bonds. The most recent refunding analysis indicated that EWEB could realize over \$2 million in interest expense savings over the life of the refunded bonds.

The Uniform Revenue Bond Act requires publishing a notice regarding the issuance of new bonds and allowing City of Eugene voters 60 days to file a petition with the City asking that the bond issuance be referred to a vote. The notice was published in The Register-Guard on October 14, 2015, and no petition was filed.

The Series 2016 Bonds will be used to finance Water Utility System general capital and rehabilitation improvements and are scheduled to be issued in April or May.

Recommendation/Requested Board Action

Management recommends and requests approval of Resolution No. 1606 authorizing the issuance, sale and delivery of Water Utility System Revenue and Refunding Bonds.

RESOLUTION NO. 1606
March 2016

SUPPLEMENTAL BOND RESOLUTION

A SUPPLEMENTAL BOND RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF WATER UTILITY SYSTEM REVENUE AND REFUNDING BONDS FOR THE PURPOSES OF (1) FINANCING IMPROVEMENTS TO THE WATER UTILITY SYSTEM IN 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; DELEGATING THE SETTING OF INTEREST RATES, THE PRINCIPAL REPAYMENT SCHEDULE, BOND REDEMPTION AND OTHER TERMS, THE APPROVAL AND DISTRIBUTION OF THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND RELATED AGREEMENTS; 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, Section 10 of the Master Resolution provides for the issuance of Additional Bonds which shall have a lien on the Net Revenues of the Water Utility System that is equal to the lien of the Series 1997 Bonds and any Additional Bonds which are payable on a parity basis (*pari passu*) with the Series 1997 Bonds from the revenues of the Water Utility System subject to the prior charge on such revenues for the payment of operating expenses of 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, EWEB desires to authorize herein another series of Additional Bonds pursuant to the terms of the Master Resolution to be called the City of Eugene, Oregon Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 (the “EWEB Resolution”) 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 acquisition, design, construction, installation and equipping of certain capital improvements to the water utility system (the “Project”), 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 (the “2016 Authorization”);

WHEREAS, pursuant to the City Resolution and ORS 287A.300, the City Council authorized EWEB, or any individual designated by EWEB, to determine, with respect to the bonds, the form of bond and series designation, the manner of disbursement of proceeds of the bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, denominations, form and authorized signatory and other terms and conditions of the bonds;

WHEREAS, the foregoing actions and events enable EWEB to proceed with the issuance and sale of the Series 2016 Bonds without further authorization or approval other than that provided by this Supplemental Bond Resolution;

WHEREAS, the Series 2016 Bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from revenues of the Water Utility System which EWEB pledges to the payment of such Bonds pursuant to ORS 287A.310 and ORS 287A.325 and the aforesaid resolutions;

WHEREAS, the Board finds it advantageous to proceed with the sale and issuance of the Series 2016 Bonds, which will qualify as and constitute Additional Bonds under Section 10 of the Master Resolution; and

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. The improvements to the Water Utility System identified in the City Resolution are eligible for financing and/or refinancing in accordance with the Master Resolution through the issuance of Water Utility System Revenue Bonds.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental 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 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:

“Series 2016 Bonds” shall mean the City of Eugene, Oregon Water Utility System Revenue and Refunding Bonds, Series 2016 issued in the aggregate principal amount not to exceed \$53,000,000 consisting of the Series 2016 New Money Bonds issued under the 2016 Authorization and the Series 2016 Refunding Bonds.

“Series 2016 New Money Bonds” means that portion of the Series 2016 Bonds, in an amount not to exceed \$18,000,000, issued to finance the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the Series 2016 Bonds.

“Series 2016 Refunding Bonds” means that portion of the Series 2016 Bonds, in an amount not to exceed \$35,000,000, issued to refund 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 Series 2016 Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution or this Supplemental Bond Resolution, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, or this Supplemental Bond Resolution only, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental 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 Bond Resolution.

SECTION 3. Series 2016 Bonds Authorized. Pursuant to ORS 287A.300, EWEB hereby designates that the Authorized Representative, as defined in Section 5 below, may determine, with respect to the Series 2016 Bonds, the form of bond and series designation, the manner of sale of the Series 2016 Bonds, the manner of disbursement of proceeds of the bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, obtain bond insurance or some other form of guaranty or security for the payment of the Series 2016 Bonds, denominations, form, authorized signatory, and other necessary or desirable documents, and other terms and conditions of the Series 2016 Bonds. 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 Bond Resolution to the City. Without the prior approval of the City Council and EWEB, the Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; (ii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation at par or with a net original issue discount or premium that does not exceed eighteen percent (18.0%) of the aggregate principal amount thereof; (iii) have an effective interest rate of not to exceed seven percent (7.0%) per annum; and (iv) not exceed \$53,000,000 in aggregate principal amount. The Series 2016 Bonds shall be issued in fully registered form in the principal denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds shall be subject to a book-entry only system of ownership and transfer as provided for in Section 14 hereof. Any remaining terms of the Series 2016 Bonds shall be established as provided in Section 18 hereof.

It is hereby found and determined that the proceeds of the Series 2016 Bonds shall be designated and used only for the following purposes:

- (a) An undivided amount not to exceed \$18,000,000 is determined to be the aggregate principal amount of the Series 2016 New Money Bonds, and the proceeds of the sale thereof shall be applied to the Project, pay related costs of issuance and any required incremental deposit to the Reserve Account; and
- (b) 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 in connection with the refunding 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.

Any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Series 2016 Bonds, exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter of the City of Eugene, and the EWEB Resolution and this Supplemental Bond Resolution.

SECTION 4. Appointment of Registrar. EWEB designates U.S. Bank National Association, Portland, Oregon as registrar and paying agent for the Series 2016 Bonds (the “Registrar”). A successor Registrar may be designated by an Authorized Representative. The

Registrar shall provide notice to Bondowners of any change in the Registrar not later than the next Bond payment date following the change in Registrar.

SECTION 5. Designation of Authorized Representative. Each of the Treasurer or Assistant Treasurer, or each of their respective designees are designated as an authorized representative (each, an “Authorized Representative”) to act on behalf of EWEB and determine the remaining terms of the Series 2016 Bonds as specified in Section 18 hereof.

SECTION 6. Security for Series 2016 Bonds. The Series 2016 Bonds shall not be general obligations of the City or EWEB, nor a charge upon the City’s tax revenues, but shall be payable solely from the revenues and funds which EWEB pledges to the payment of the Series 2016 Bonds pursuant to ORS 287A.150 *et seq.* The Series 2016 Bonds shall be secured by a lien on the Net Revenues of the Water Utility System that is equal in priority to the lien of the Outstanding Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds and any Additional Bonds (the Series 2016 Bonds, together with the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds and any Additional Bonds, are referred to herein as the “Bonds”). The Outstanding Bonds (including the Series 2016 Bonds) shall be secured by the Trust Estate as set forth in Section 2D of the Master Resolution.

SECTION 7. Application of Series 2016 Bond Proceeds. The Series 2016 Bond proceeds shall be applied as follows:

(1) Accrued interest received on the Series 2016 Bonds, if any, from their date to the date of delivery any payment for the Series 2016 Bonds and capitalized interest, if any, shall be paid to the Bond Fund Trustee for deposit into the Interest Account in the Bond Fund to be applied to the payment of interest on the Series 2016 Bonds;

(2) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be deposited into the Project Fund;

(3) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2002 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2002 Bonds;

(4) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2005 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2005 Bonds;

(5) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2008 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2008 Bonds;

(6) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be used to fund any required reserve for the Series 2016 Bonds;

(7) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be applied to the payment of fees and expenses in connection with the issuance and sale of the Series 2016 Bonds.

SECTION 8. Rate Covenant.

A. Pursuant to Section 9A of the Master Resolution, EWEB covenants for the benefit of the owners of all Outstanding Bonds that it will charge rates and fees in connection with the operation of the Water Utility System which, when combined with other Gross Revenues, are adequate to generate Net Revenues in each Fiscal Year at least equal to (a) 1.25 times Annual Debt Service due in that Fiscal Year for all Outstanding Bonds, (b) 1.00 times Annual Debt Service due in that Fiscal Year for any Subordinate Obligations (after subtracting Annual Debt Service from Net Revenues due in that Fiscal Year for all Outstanding Bonds) and (c) any amounts owed by the Board to a Credit Provider, if any, pertaining to the Outstanding Bonds. If the Net Revenues fail to meet this level, the EWEB will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues are projected to meet the required level.

B. EWEB may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of the Master Resolution. If EWEB transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, EWEB covenants for the benefit of the owners of all Outstanding Bonds that it will charge rates and fees in connection with operation of the Water Utility 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 Outstanding Bonds. If the Net Revenues fail to meet this level, EWEB 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.

Pursuant to and without limitation on the provisions of Section 9B of the Master Resolution, the Treasurer shall annually, within six months after the close of each Fiscal Year, determine based on EWEB's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for all outstanding Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If such determination shows that such Net Revenues fail to meet the requirements of Section 9A of the Master Resolution (and, if applicable, Section 9B of the Master Resolution) then the Treasurer shall simultaneously prepare a Certificate of EWEB 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 in greater Net Revenues sufficient to satisfy the requirements of Section 9A of the Master Resolution (and, if applicable, Section 9B of the Master Resolution), together with a copy of a resolution, adopted by EWEB's Board and certified by EWEB's Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event later than ninety (90) days after the date of such Certificate.

SECTION 9. Bond Fund and Accounts. EWEB hereby affirms the creation and establishment of the Funds and Accounts set forth in Section 7 of the Master Resolution.

SECTION 10: Reserve Account. 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.

SECTION 11. Deposit, Pledge and Use of Gross Revenues. EWEB hereby affirms the deposit, pledge and use of Gross Revenues as set forth in Section 8 of the Master Resolution.

SECTION 12. Form of Series 2016 Bonds. The Series 2016 Bonds shall be issued in substantially the form as described in the Master Resolution. The Series 2016 Bonds may be printed or typewritten, and may be issued as one or more temporary Series 2016 Bonds which shall be exchangeable for definitive Series 2016 Bonds when definitive Series 2016 Bonds are available. As book-entry only bonds, the Series 2016 Bonds shall be prepared by Bond Counsel.

SECTION 13. Execution of Series 2016 Bonds. The Series 2016 Bonds shall be executed on behalf of EWEB with the manual or facsimile signatures of the President or Vice President and Treasurer or Assistant Treasurer of EWEB and attested to by the manual or facsimile signature of the Secretary or Assistant Secretary of EWEB. Additionally, the Series 2016 Bonds shall be authenticated by the manual signature of an authorized officer of the Registrar.

SECTION 14. Book-Entry Only System. During any time that the Series 2016 Bonds are held in a book-entry only system (the "Book-Entry System"), the registered owner of all of the Series 2016 Bonds shall be The Depository Trust Company, New York, New York ("DTC"), and the Series 2016 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. EWEB has entered into a Blanket Issuer Letter of Representations (the "Letter") wherein EWEB represents that it will comply with the requirements stated in DTC's Operational Arrangements as they may be amended from time to time.

Under the Book-Entry System, the Series 2016 Bonds shall be initially issued in the form of a single fully registered certificate, one for each maturity of the Series 2016 Bonds. Upon initial issuance, the ownership of such Series 2016 Bonds shall be registered by the Registrar on the registration books in the name of Cede & Co., as nominee of DTC. EWEB and the Registrar may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016 Bonds registered in its name for the purposes of payment of the principal of, redemption price of, and premium, if any, or interest on the Series 2016 Bonds, selecting the Series 2016 Bonds or portions thereof to be redeemed, if any, giving notice as required under this Resolution, registering the transfer of Series 2016 Bonds, obtaining any consent or other action to be taken by the owners and for all other purposes whatsoever; and neither the Registrar nor EWEB shall be affected by any notice to the contrary. The Registrar shall not have any responsibility or obligation to any person claiming a beneficial ownership interest in the Series 2016 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Registrar as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2016 Bonds; any notice or direction which is permitted or required to be given to or received from owners under this

Resolution; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Series 2016 Bonds; or any consent given or other action taken by DTC as owner; nor shall any DTC Participant or any such person be deemed to be a third party beneficiary of any owners' rights under this Resolution. The Registrar shall pay from moneys available hereunder all principal of and premium, if any, and interest on the Series 2016 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge EWEB's obligations with respect to the principal of and premium, if any, and interest on the Series 2016 Bonds to the extent of the sum or sums so paid. So long as the Series 2016 Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Registrar to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Registrar of DTC's written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to transfers of Series 2016 Bonds, the term "Cede & Co.," in this Resolution shall refer to such new nominee of DTC.

At any time it determines that it is in the best interests of the owners, EWEB may notify the Registrar, and the Registrar will subsequently notify DTC, whereupon DTC will notify the DTC Participants, of the availability through DTC of Bond certificates. In such event, the Registrar shall issue, transfer and exchange, at EWEB's expense, Bond certificates as requested in writing by DTC in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2016 Bonds at any time by giving written notice to the Registrar and discharging its responsibilities with respect thereto under applicable law. If DTC resigns as securities depository for the Series 2016 Bonds, Bond certificates shall be delivered pursuant to this Section 14. Under such circumstances (if there is no successor securities depository), the Registrar shall be obligated to deliver Bond certificates as described in this Resolution, provided that the expense in connection therewith shall be paid by EWEB. In the event Bond certificates are issued, the provisions of this Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of, premium, if any, and interest on such Series 2016 Bonds. Whenever DTC requests the Registrar to do so, the Registrar will cooperate with DTC in taking appropriate action after written notice (a) to make available one or more separate certificates evidencing the Series 2016 Bonds to any DTC Participant having Series 2016 Bonds credited to its DTC account, or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2016 Bonds.

EWEB will not be responsible or liable for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants or for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owner of the Bonds.

SECTION 15. Redemption. 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.

SECTION 16. Notice of Redemption. 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.

SECTION 17. Tax-Exempt Status and Covenant as to Arbitrage. EWEB covenants to use the proceeds of the Series 2016 Bonds, and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that interest paid on the Series 2016 Bonds will not be includable in gross income of the Bondowners for federal income tax purposes. Without limitation on the foregoing, EWEB specifically covenants:

- (1) to comply with the "arbitrage" provisions of Section 148 of the Code, and to pay any rebates to the United States on the gross proceeds of the Series 2016 Bonds; and
- (2) comply with all reporting requirements.

An Authorized Representative may enter into covenants on behalf of EWEB to protect the tax-exempt status of the Series 2016 Bonds.

SECTION 18. Delegation and Approval for Establishment of Terms and Sale of the Series 2016 Bonds. Subject to the provisions of Section 3 herein, and as provided in the City Resolution and the EWEB Resolution, all actions heretofore taken in connection with the Series 2016 Bonds are hereby ratified, confirmed and approved in all respects and including, without limitation, actions taken or to be taken by an Authorized Representative to:

- (1) establish the principal and interest payment dates, principal amounts, optional and mandatory redemption provisions and premium, if any, interest rates, and denominations and place of payment and all other terms for the Series 2016 Bonds;
- (2) make any determinations required by the Master Resolution;
- (3) award the sale of the Series 2016 Bonds in accordance with ORS 287A.300;
- (4) approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2016 Bonds;
- (5) obtain ratings of the Series 2016 Bonds and expend Series 2016 Bond proceeds to pay for such ratings;
- (6) take such actions as are necessary to qualify the Series 2016 Bonds for the Book-Entry System of DTC;

(7) approve, execute and deliver a Continuing Disclosure Certificate pursuant to Rule 15c2-12 of the Securities and Exchange Commission;

(8) approve, execute and deliver the Series 2016 Bond closing documents and certificates;

(9) enter into covenants regarding the use of the proceeds of the Series 2016 Bonds to maintain the tax-exempt status of the Series 2016 Bonds; and

(10) execute and deliver a certificate specifying the actions taken pursuant to this Section 18, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2016 Bonds in accordance with this Supplemental Bond Resolution.

SECTION 19. 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 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 Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges contained in Section 11 and Section 17 hereof and the other covenants and agreements 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 Bond Resolution or the Master Resolution.

SECTION 20. 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 Bond Resolution.

SECTION 21. Effect of Master Resolution. Except as expressly amended or supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein.

SECTION 22. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 23. 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 1st day of March 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 March 1, 2016 Board Meeting.

Assistant Secretary