



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson
FROM: Deborah Hart, Chief Financial Officer and
Aaron Balmer, Accounting & Treasury Supervisor
DATE: February 21, 2020
SUBJECT: Amendments to Water Bond Master Resolution
OBJECTIVE: Approval of Resolution No. 2012

Issue

With the upcoming Water Utility bond issuance, EWEB has the opportunity to easily update the Water Bond Master Resolution to more closely align with provisions included in the Electric Master Resolution. Staff worked with EWEB's bond counsel, financial advisor, and underwriter to integrate the 2016 amendments with the original resolution, and update language to provide better clarity and more closely align with the Electric Utility.

Background

On September 2, 1997, the EWEB Board of Commissioners adopted a Master Resolution (Original Master Resolution) that provided for the issuance of additional Water System Revenue Bonds. The Original Master Resolution was amended by Resolution No. 1614 adopted on April 5, 2016.

Discussion

The Water Bond Master Resolution to be considered by the Board on March 3, 2020 (Master Resolution) amends and restates the Original Master Resolution. The changes are designed to align with various provisions in the Electric Bond Master Resolution. It includes the following major changes:

1. The Original Master Resolution included provisions specific to the 1997 Bonds and had various references to 1985 Bonds. Those bonds have all been repaid, so references to those bonds are deleted.
2. The definition of Operating Expenses has been changed to more closely match the definition in the Electric Master Resolution.
3. U.S. Bank has been serving as trustee and registrar for the Water System bonds. The Master Resolution memorializes the roles and responsibilities of U.S. Bank. Sections 3 and 16.

4. The amendments adopted in 2016 provide that a series of Water System bonds may be secured by the Reserve Account or a separate reserve account and the reserve requirement may be set for each series of bonds, including that there is no reserve required. The Master Resolution incorporates these amendments. Section 4.
5. Two provisions from the Electric Master Resolution have been added to the rate covenant in Section 6. The first provides that if the rate covenant is not met in a year, the failure to meet the covenant is not an event of default as long as the Board takes action as outlined in the Master Resolution. The second change provides that compliance with the rate covenant may be made without regard to future changes in GAAP.
6. A new section (Section 10) has been added, which provides that a contract resource obligation may be included in Operating Expenses if certain conditions are met.
7. New remedies upon an event of default have been updated. Section 13. The new provisions mirror the provisions in the Electric Master Resolution.

Recommendation and Requested Board Action

Management recommends that the Board approve Resolution No. 2012, updating the Water Utility System Water Bond Master Resolution.

Attachment 1 – Master Water Bond Resolution

RESOLUTION NO. 2012
March 2020

MASTER WATER BOND RESOLUTION

A RESOLUTION AMENDING AND RESTATING THE WATER UTILITY
SYSTEM REVENUE BOND MASTER RESOLUTION ADOPTED
SEPTEMBER 2, 1997.

WHEREAS, ORS 287A.150 authorizes the City of Eugene (the "City") to issue bonds payable solely from revenues generated by facilities, projects, utilities or systems owned or operated by the City, and the City, acting by and through the Eugene Water & Electric Board ("EWEB"), owns and operates a water utility system and related facilities and systems;

WHEREAS, on September 2, 1997, EWEB adopted a resolution authorizing and providing for the issuance, from time to time, of City of Eugene, Oregon Water Utility System Revenue Bonds to be equally and ratably secured by the pledge of revenues, funds and accounts thereunder, which was amended by Resolution No. 1614 adopted on April 5, 2016 (as amended and supplemented, the "Bond Resolution");

WHEREAS, this Amended and Restated Master Resolution restates the Bond Resolution and adopts some additional amendments to the Bond Resolution;

BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD, as follows:

Section 1. Definitions

A. As used in this Master Resolution, the following words shall have the following meanings and, in addition, terms relating to Derivative Products are contained in Section 9:

"Act" means the Charter of the City of Eugene and any amendment thereto authorizing the issuance of the Bonds.

"Accreted Value" means, as of the date of computation with respect to any Capital Appreciation Obligations, an amount equal to:

(a) the principal amount of such Capital Appreciation Obligations (the issue price at the date of issuance), plus

(b) the interest accrued on such Capital Appreciation Obligations from the date of original issuance of such Capital Appreciation Obligations to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at an approximate rate per annum of the Capital Appreciation Obligations, set forth in the Supplemental Resolution providing for the issuance of such Capital Appreciation Obligations, compounded at such intervals as shall be specified in such Supplemental Resolution, plus

(c) with respect to matters related to the payment upon redemption of such Capital Appreciation Obligations, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of the original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of 12 30-day months.

A table of Accreted Values for each Series of Bonds issued as Capital Appreciation Obligations shall be incorporated in a Supplemental Resolution authorizing such Capital Appreciation Obligations.

“Additional Bonds” means Bonds issued pursuant to Section 7 of this Master Resolution and a Supplemental Resolution, which Additional Bonds shall be secured on an equal and ratable (*pari passu*) basis with the Outstanding Bonds with respect to the lien on the Trust Estate.

“Alternate Credit Facility” means any standby letter of credit, bond insurance policy, surety bond, bank bond purchase agreement or other similar Credit Facility provided pursuant to a Supplemental Resolution supporting payment of principal, interest and purchase price of one or more Series of the Bonds and taking effect prior to the original stated expiration date of the then current Credit Facility.

“Annual Debt Service” means 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 from Bond proceeds or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that this 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 in Section 6, Annual Debt Service for 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;

(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.

(h) in the case of Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the rate applicable to such Balloon Indebtedness, shall be amortized in equal annual installments over a term equal to the least of (1) 30 years from the date of issue or (2) the average weighted useful life (expressed in years and rounded to the next highest integer) of the properties and assets constituting the project (if any) financed out of the proceeds of such Balloon Indebtedness.

“Audit” means the audit required by ORS 297.425.

“Auditor” means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

“Balloon Indebtedness” means any Series or maturity of Bonds that are specifically designated in a Supplemental Resolution or Certificate of Board as "Balloon Indebtedness." The principal amount maturing on any date shall be the amount of Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“Base Period” means any 12 consecutive months out of the most recent 24 months preceding the delivery of a Series of Bonds proposed to be issued.

“Board” means the Eugene Water & Electric Board of the City of Eugene, Oregon, acting by and on behalf of the City or if the Board shall be abolished, the person, board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Master Resolution shall be given by any law including the Charter of the City or any ordinance or resolution of the City Council.

“Bond Counsel” means any law firm appointed as bond counsel to the Board and having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

“Bondowner” or “Owner” means a registered owner of a Bond.

“Bondowners Committee” means that committee as provided in Section 13 hereof.

“Bondowners’ Trustee” means the Bond Trustee; provided, however, if no Bond Trustee is appointed, the trustee appointed by the Bondowners pursuant to Section 13.

“Bond Register” means the records of the Bond Registrar showing Owners of Bonds.

“Bond Registrar” or “Registrar” means the paying agent and registrar designated by the City.

“Bonds” or “Bond” means the Outstanding Bonds and any Additional Bonds (including any Derivative Products) issued pursuant to this Master Resolution with an equal and ratable (*pari passu*) lien on the Trust Estate.

“Bond Fund” means the Bond Fund created to pay debt service on Bonds

“Bond Trustee” means the trustee appointed pursuant to Section 3, and its successor or successors, and any other corporation which may at any time be substituted in its place.

“Book-Entry Only System” means a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed and which shall not be a day on which the New York Stock Exchange is closed.

“Capital Appreciation Obligations” means those Bonds for which interest is compounded periodically on each of the applicable periodic dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity or earlier redemption thereof, all as so designated in a Supplemental Resolution providing for the issuance thereof, including any Bonds or Subordinate Obligations, as applicable, which accrue and compound interest thereon as aforesaid for a period of time, after which periods such Bonds or

Subordinate Obligations, as applicable, commence having interest on a periodic basis and convert into Current Interest Obligations.

“Certificate of Board” means a certificate executed on behalf of the Board by the President, Vice President, or the Secretary of the Board of Commissioners, the Treasurer or Assistant Treasurer thereof or other official designated by resolution of the Board.

“Charter” means the City Charter.

“City” means the City of Eugene, Oregon.

“Code” means the Internal Revenue Code of 1986, as amended together with the rules and regulations promulgated thereunder and amendments thereto.

“Consent” means that Bondowners of at least 51% of the Outstanding Bonds have given consent or deemed to have consented to the amendments set forth in this Master Resolution. By purchasing the Series 2020 Bonds, the Bondowners of the Series 2020 Bonds will be deemed to have given consent to such amendments.

“Contract Resource Obligation” means an obligation of the System to pay the following costs, whether or not water or treatment is available to the System in return for such payment.

(a) costs associated with supply, distribution or treatment of water or related facilities (including any common undivided interest therein) hereafter acquired, purchased or constructed by the Board and declared by the Board to be a separate utility system, which costs shall include but not be limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt services on the bonds or other obligations of such separate water utility system, or

(b) costs associated with the purchase of water and related services under a contract.

“City Council” means the City Council of the City.

“Construction Fund” means the Fund of that name created and established pursuant to Section 4 of this Master Resolution.

“Credit Agreement” shall mean an agreement with a Credit Provider pursuant to which a Credit Facility is issued or given as security for all or a portion of a particular Series of Bonds or an agreement with an insurer, or other guarantor pursuant to which a Credit Facility or a Derivative Facility is given as security for the City’s obligations under the Bonds or a Derivative Product.

“Credit Facility” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device given, issued or posted as security for one or more Series of Bonds, including any Alternate Credit Facility and any Reserve Credit Facility.

“Credit Provider” means the person or entity, if any, providing a Credit Facility as security for a Series of Bonds.

“Current Interest Obligations” means those Bonds which bear interest payable periodically on specified or determinable dates prior to the maturity or redemption dates thereto, including any Capital Appreciation Obligations from and after the date upon which interest becomes payable on a periodic basis prior to the maturity thereof, all as so designated in a Supplemental Resolution or Certificate of Board providing for the issuance or incurrence of such Bonds, and which may be either Serial or Term Obligations including Variable Rate Obligations and Option Obligations.

“Debt Service Account” means the Account of that name created and established pursuant to Section 4.

“Default” or “Event of Default” means any event specified in Section 12.

“Defeasance Obligations” means cash or non-callable, non-prepayable bonds or other obligations for which principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including any obligations of federal agencies unconditionally guaranteed by the United States and REFCORP debt obligations unconditionally guaranteed by the United States to the extent permitted to be used for a refunding under State law.

“Depository” or “DTC” means The Depository Trust Company or any other qualified securities depository designated by the Board as its successor.

“Derivative Facility” shall have the meaning set forth for such term in Section 9.

“Derivative Product” shall have the meaning set forth for such term in Section 9.

“Estimated Average Interest Rate” means:

(a) for the purpose of the rate covenant in Section 6 and for purposes of Section 7B(5)(a):

(i) to any Outstanding Bonds during any period in which such Bonds are Variable Rate Obligations:

(aa) to the extent such Variable Rate Obligations have been Outstanding for a period of 12 months or more, the weighted average rate of interest applicable to such Bonds during the immediately preceding 12 month period; or

(bb) to the extent such Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the higher of:

(1) the most current actual interest rate on such Variable Rate Obligations; or

(2) 100% of the most recently published interest rate for fixed rate municipal bonds with similar terms and credit ratings published in *The Bond Buyer*, and

(b) for the purposes of the certificate required by Section 7B(5)(b):

(i) for both Bonds that have and have not been Outstanding for 12 months or more, the higher of

(aa) the most current actual interest rate on such Variable Rate Obligations; or

(bb) 100% of the most recently published interest rate for fixed rate municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

“Fiscal Year” means the period beginning on January 1 of each year and ending on the next succeeding December 31, or as otherwise defined by State law.

“Fitch” means Fitch Investors Service, Inc. and its successor.

“Gross Revenues” means all fees, charges and other revenues from the operation of the System, including, without limitation, transfers from the Rate Stabilization Account, other money required to be placed in the Funds and Accounts created pursuant to this Master Resolution, and any interest earnings thereon. The term “Gross Revenues” does not include the interest income or other earnings derived from the investment of the Rebate Fund, the Construction Fund or any escrow fund established for the defeasance or refunding of Outstanding indebtedness of the Board. The term “Gross Revenues” also does not include:

(a) any gifts, grants, donations or other money received by the Board from any State or Federal agency or other person if such gifts, grants, donations or other money is the subject of any limitation or reservation:

(i) imposed by the donor or grantor or

(ii) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues hereunder;

(b) the proceeds of any borrowing for capital improvements or refunding;

(c) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues);

(d) the proceeds of any casualty insurance which the Board intends to utilize for repair or replacement of the System;

(e) the proceeds derived from the sales of assets pursuant to Section 8(7);

(f) any income, fees, charges, receipts, profits or other money derived by the Board from its ownership or operation of any Separate Utility System provided that a Qualified Consultant has certified that in their opinion the acquisition or construction or operation of such Separate Utility System will not result in a reduction of the Net Revenues below the amounts covenanted by Section 6 hereof to be produced; or

(g) deposits to the Rate Stabilization Account.

“Interest Payment Date” means with respect to a particular Series of Bonds, any date upon which interest on and/or principal of such Series is due and payable in accordance with the terms thereof, whether at maturity or upon redemption or prepayment prior to maturity.

“Mandatory Redemption Schedule” means with respect to particular Bonds, the schedule pursuant to which the principal portions thereof howsoever designated are subject, without contingency, to mandatory redemption or prepayment prior to maturity, all as set forth in the Supplemental Resolution or Certificate of Board pursuant to which such Bonds are issued.

“Master Resolution” means this Master Water Bond Resolution.

“Moody’s” means Moody’s Investors Service and its successors.

“Net Revenues” means the Gross Revenues less the Operating Expenses.

“Operating Expenses” means all expenses incurred for operation, maintenance and repair of the System, including but not limited to administrative expenses, financial and auditing expenses, insurance premiums, claims (to the extent money is not available from proceeds of insurance), franchise fees, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, post-employment, health, hospitalization, payroll taxes and sick leave benefits (with Consent, regular payments for pension, post-employment, health, hospitalization, payroll taxes and sick leave benefits), Contract Resource Obligations upon satisfaction of the requirements of Section 10, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the System. Operating Expenses do not include:

(a) any rebates or penalties paid from Gross Revenues under Section 148 of the Code;

(b) payments for the settlement of litigation and payments to any liability reserve fund;

(c) non-cash expenses for capital asset-related costs such as depreciation, amortization or accretion related to capital assets or other properties or capital asset retirement obligations and non-cash losses from the disposition of capital assets or other properties;

- (d) draws on the Board's self-insurance account;
- (e) debt service payments (including amounts treated for accounting purposes as debt service payments);
- (f) the expenses of owning, operating or maintaining any Separate Utility System;
- (g) capital transfers and capital outlays including without limitation transfers to capital construction accounts;
- (h) non-cash items, such as non-cash pensions and non-cash post-employment benefit expenses;
- (i) with Consent, taxes on revenues or property of the System; or
- (j) with Consent, any other extraordinary, non-recurring expenses.

“Opinion of Bond Counsel” means an opinion in writing of Bond Counsel addressed to the Board to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and this Master Resolution or other such action will not adversely affect the validity of the Bonds under the laws of the State or the exclusion from gross income for federal income tax purposes of interest on the Bonds to the extent such Bonds were issued as Tax-Exempt Obligations.

“Option Obligations” means, with respect to a particular Series of Bonds or Subordinate Obligations, as applicable, which by their terms may be tendered by and at the option of the Owner for purchase prior to the stated maturity thereof.

“ORS” means the Oregon Revised Statutes.

“Outstanding” means, when used in connection with Bonds, means all Bonds except:

- (i) Bonds which have been paid, or which have been cancelled or delivered to the Board or Bond Registrar;
- (ii) Bonds which have been defeased pursuant to Section 15; and
- (iii) Bonds in substitution for which other Bonds have been issued or delivered.

“Outstanding Bonds” means the Series 2011 Bonds, the Series 2016 Bonds, and the Series 2020 Bonds, and all Additional Bonds authorized and delivered pursuant to this Master Resolution and any Supplemental Resolution except Bonds theretofore canceled, or defeased pursuant to Section 15, or otherwise paid or redeemed.

“Outstanding Subordinate Obligations” means all Subordinate Obligations except Subordinate Obligations theretofore canceled or defeased in accordance with the laws of the State and the documents governing such Subordinate Obligations.

“Permitted Investments” means any investment to the extent the same is legal for investment of funds of the Board and is consistent with the adopted investment policy of the Board as it may be amended from time to time.

“Project” means any additions, replacements, expansions, renewals or improvements to the System, which may be lawfully financed with the proceeds of the Bonds.

“Qualified Consultant” means an independent engineer, an independent auditor, or an independent financial advisor, or similar independent professional consultant of nationally recognized standing and having experience and expertise in the area for which such person or firm is retained by the Board for purposes of performing activities specified in this Master Resolution or any Supplemental Resolution.

“Rate Stabilization Account” means the Rate Stabilization Account established pursuant to Section 4.

“Rating Agency” means:

- (a) S&P;
- (b) Moody’s;
- (c) Fitch; and
- (d) any other financial rating service; provided that when used with respect to a Reserve Credit Facility, the term “Rating Agency” shall mean S&P, Moody’s, Fitch or any other nationally recognized financial rating agency, including but not limited to such agencies that rate the claims-paying ability of insurance companies.

“Rebate Account” means any rebate account which may be established pursuant to Section 4 to comply with the Tax Covenants.

“Record Date” means with respect to a particular Series of Bonds, such date or dates established by the Supplemental Resolution pursuant to which such Series of Bonds is issued.

“Redemption” means any mandatory or optional redemption or prepayment of any Bond.

“Redemption Price” means, with respect to any Bond, the amount payable upon the Redemption or prepayment thereof prior to maturity, including the principal of, premium (if any) and accrued or accreted interest thereon.

“Reserve Account” means the Water Utility System Bond Reserve Account created and established pursuant to Section 4.

“Reserve Credit Facility” means 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 a Rating Agency rating the Credit Provider.

“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 that the Series 2016 Bonds will be Outstanding as of the date of calculation; and

(b) For the Series 2020 Bonds and any other series of Additional Bonds, an amount, if any, to be set forth in the Supplemental Resolution or Certificate of Board authorizing such Bonds.

“S&P” means S&P Global Ratings and its successors.

“Separate Utility System” means utility properties and assets, real and personal, tangible and intangible, which are declared, resolved or found by the Board to constitute a system which is distinct from the System at the time they are financed.

“Serial Obligations” means, with respect to a particular Series of Bonds, the portions of such Series which shall be stated to mature or become due and payable serially in annual installments, but not including Term Obligations.

“Series” or “Series of Bonds” means all of the Bonds issued, authenticated and delivered pursuant to this Master Resolution or a Supplemental Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Master Resolution or such Supplemental Resolution regardless of variations in maturity, interest rate or other provisions.

“Series 2011 Bonds” means the Water Utility System Revenue Bonds, Series 2011.

“Series 2016 Bonds” means the Water Utility System Revenue Bonds, Series 2016.

“Series 2020 Bonds” means the Water Utility System Revenue and Refunding Bonds, Series 2020A and Series 2020B expected to be issued in April 2020.

“State” means the State of Oregon.

“Subordinate Obligations” means any revenue bonds or other obligations of the Board (including Derivative Products) issued pursuant to any Supplemental Resolution and which are secured by and payable from the Trust Estate on a subordinate basis in relation to the Bonds.

“Subordinate Obligations Account” means the Account of that name created and established pursuant to Section 4.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of this Master Resolution.

“System” or “Water Utility System” means all plants and properties, both real and personal and tangible and intangible, now or hereafter existing, of the Board, used for or pertaining to the supplying, purification, filtration, transmission and distribution of water. Without limiting the generality of the foregoing, said term shall include: (1) the existing plants and properties comprising the Water Utility System of the Board, as of the date of adoption of this Master Resolution; and (2) all additions, improvements, enlargements, extensions, expansions, and betterments to the Water Utility System of the Board hereafter constructed or otherwise acquired, including, without limitation, water properties acquired by annexations or water properties acquired through the Board’s participation in any regional water system, purchase of water, conservation projects and appliances.

“Tax Covenants” means with respect to Tax-Exempt Obligations the covenants of the Board to comply with the Code to ensure the initial and continued exclusion from gross income for federal income tax purposes of the interest on such Bonds.

“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 643 I 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.

“Tax-Exempt Obligation” means any Bond, the interest on which is excluded from gross income for federal income tax purposes.

“Taxable Obligation” means any Bond, the interest on which is included in gross income for federal income tax purposes.

“Term Obligations” means the portion of a Series of Bonds or Subordinate Obligations, as applicable, which shall be slated to mature on one date and which are subject to scheduled mandatory redemption prior to maturity pursuant to a Mandatory Redemption Schedule.

“Treasurer” means the Treasurer of the Board, or his or her duly authorized designee.

“Trust Estate” means the Trust Estate pledged to secure the payment of the principal, interest and premium (if any) on all Bonds as described in Section 2.

“Variable Rate Obligations” means any Bonds, which may be either Serial Obligations, Term Obligations, Capital Appreciation Obligations or Option Obligations, issued with a variable, adjustable, convertible, or other similar interest rate which is not fixed for the

entire term thereof at the date of issue or is not, as of the date of issuance, determinable by percentage through maturity.

“Water Revenue Fund” means the Fund of that name and described in Section 4.

Section 2. The Trust Estate

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

- (1) the Net Revenues;
- (2) the money and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account);
- (3) the money, investments and Reserve Credit Facilities (and any money 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;
- (4) 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
- (5) 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.”

Section 3. Registrar, Bond Trustee, Registration, Exchange, Redemption and Bond Form

3.01 Registration of Bonds. Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

3.02 Bond Registrar and Trustee; Duties. The Board has appointed U.S. Bank National Association to serve as Registrar and Bond Trustee for the Bonds. A successor Registrar or Bond Trustee may be appointed for any Series or all of the Bonds by resolution of the Board. The Board may elect not to have a Bond Trustee. The Registrar shall provide notice to Bondowners of any change in the Registrar or Bond Trustee not later than the Interest Payment Date following the change in Registrar or Bond Trustee. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the Board at all times. The Bond Registrar is authorized, on behalf of the Board, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds, this Master Resolution, and a Supplemental Resolution to serve as the Board’s paying agent for the Bonds and to carry out all of the Bond Registrar’s powers and duties under this Master Resolution. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar’s certificate

of authentication on each Bond. The Bond Registrar may become a Bondowner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners.

3.03 Bond Register, Transfer and Exchange. The Bond Register shall contain the name and mailing address of each Bondowner and the principal amount and number of each Bond held by each Bondowner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Bondowner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer ownership during the period between the applicable Record Date set forth in a Supplemental Resolution and the next upcoming Interest Payment Date.

3.04 Securities Depository; Book-Entry Only System. Unless provided otherwise in the Supplemental Resolution authorizing a Series of Bonds, the provisions regarding book-entry shall be governed as provided in this Section. If a Bond is to be issued in book-entry form, DTC shall be appointed as initial Depository and each such Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Ownership of any Bond registered in the name of the Depository may not be transferred except: (i) to any successor Depository; (ii) to any substitute Depository appointed by the Board; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Depository, or upon a termination of the services of the Depository by the Board, the Board may appoint a substitute Depository. If (i) the Depository resigns and the Board does not appoint a substitute Depository, or (ii) the Board terminates the services of the Depository, the Bonds no longer shall be held in book-entry only form and the ownership of each Bond may be transferred to any person as provided in this Master Resolution.

Neither the Board nor the Bond Registrar shall have any obligation to participants of any Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Depository or its participants. Neither the Board nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Bondowner except such notice as is required to be given by the Bond Registrar to the Depository.

3.05 Form of Bond. The Bonds shall be in the form approved by the representative appointed in a Supplemental Resolution.

Section 4. Bond Funds and Accounts

A. The following funds and accounts are hereby affirmed, created and established as special funds of the Board:

- (1) The Water Revenue Fund;
- (2) The Water Utility System Bond Construction Fund (the “Construction Fund”);

(3) The Water Utility System Bond Fund (the “Bond Fund”) which shall include the Water Debt Service Account (the “Debt Service Account”);

(4) The Bond Fund shall also include the Water Utility System Bond Reserve Account (the “Reserve Account”);

(5) The Bond Fund shall also include the Water Utility System Bond Subordinate Obligations Account (the “Subordinate Obligations Account”); and

(6) The Bond Fund shall also include the Water Utility System Rebate Account (the “Rebate Account”).

All Gross Revenues shall be deposited, as and when received by the Board, in the Water Revenue Fund. The Water Revenue Fund shall be held and administered by the Board separate and distinct from the City’s general fund and any other funds or accounts of the City, and the Gross Revenues shall be applied in accordance with Section 5 of this Master Resolution.

B. The Board shall deposit into the Debt Service Account from the Water Revenue Fund or the Reserve Account money sufficient to make payments in accordance with Section 5.

(1) The Debt Service Account is for the purpose of paying the principal of, premium, if any, and interest on the Bonds. The Debt Service Account shall initially be held by the Board, but the Board may elect to have the Bond Trustee hold the account at any time.

(2) The Board hereby covenants with the Owners of the Bonds that it will, so long as any Bonds remain Outstanding, make the following deposits from the Net Revenues into the Debt Service Account: Not less than seven Business Days prior to an Interest Payment Date (with Consent, on or prior to an Interest Payment Date), the Board will deposit into the Debt Service Account an amount equal to the amount necessary to pay in full the Bond interest, principal, and premium, if any then coming due (whether by reason of maturity, redemptions or tender or otherwise). Prepayment of deposits will fulfill this requirement.

(3) With respect to the Bonds of any series that constitute Capital Appreciation Obligations, then for purposes of this Section 4B(3) accreted interest thereon shall be treated as principal coming due on the stated maturity date thereof or date upon which such Capital Appreciation Obligations are required to be redeemed pursuant to a mandatory redemption schedule, and transfers with respect to such accreted interest (as well as the principal of such Capital Appreciation Obligations) shall be made at the times and in the amounts provided in Section 4B(2) hereof.

C. The Reserve Account shall be held by the Board (unless the Board elects to have it held by the Trustee) and administered as follows:

The Board covenants with the Bondowners that it will, on the first day of each Fiscal Year, so long as any Outstanding Bonds are secured by the Reserve Account, determine an amount such that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series of Bonds secured by the Reserve Account 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

financed 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 secured by the Reserve Account is achieved within 12 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 this Master Resolution or a Supplemental Resolution, 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).

Money 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, applicable to any Tax-Exempt Obligations or Tax Credit Subsidy Bond.

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 money 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 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 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 money on deposit in the Reserve Account subaccount; and

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

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.

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 15 hereof) of Outstanding Bonds of that Series.

Any Supplemental Resolution authorizing the issuance of a Series of Additional Bonds shall state the Reserve Requirement for such series and 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, if any, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility, which deposit 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 in the proceedings authorizing the Series of Additional Bonds.

Within 90 days of the effective date of a Supplemental 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.

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.

D. Upon the issuance of any Additional Bonds, the Board shall deposit into the Construction Fund (or any subaccount thereof) the amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing the issuance of such Additional Bonds. Amounts on deposit in the Construction Fund shall be applied to pay costs of the Project (as defined by any Supplemental Resolution). Upon completion of the Project, the balance in the particular account of the Construction Fund relating to that Project in excess of the amount held for the purpose of paying costs of that Project (i) shall be transferred to the Debt Service Account, and (ii) unless such Bonds are Taxable Obligations, shall be invested at a yield that complies with the Tax Covenants.

E. The Rate Stabilization Account has been created within the Water Revenue Fund. Money in the Rate Stabilization Account will be transferred as determined from time to time by the Board. The Board may make payments into the Rate Stabilization Account from the Water Revenue Fund at any time. Money in the Rate Stabilization Account may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenues for the period for which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross

Revenues for the period for which they are deposited. Credits to or from the Rate Stabilization Account may be posted within 180 days after the end of a Fiscal Year consistent with normal Board accounting practices and procedures. Such credits to or from the Rate Stabilization Account must pertain to activities occurring within that Fiscal Year. Earnings on the Rate Stabilization Account shall be credited to the Water Revenue Fund.

F. The Treasurer may establish such additional funds, accounts and subaccounts within any of the funds and accounts created and established by this Master Resolution for the purpose of identifying more precisely the sources of payments into and disbursements from such funds and accounts. The establishment of any such additional funds, accounts or subaccounts shall not alter any of the requirements of this Master Resolution with respect to the deposit or use of money in any fund or account hereunder.

G. The Board shall deposit into the Subordinate Obligations Account in the amounts and on the dates required by the documents or Supplemental Resolution governing such Subordinate Obligations; provided that deposits from Gross Revenues shall be in accordance with the priorities set forth in Section 5.

Section 5. Pledge and Use of Gross Revenues; Flow of Funds

A. All Gross Revenues shall be deposited to and maintained in the Water Revenue Fund. As long as any Bonds or Derivative Products remain Outstanding, money and investments in the Water Revenue Fund shall be used solely to pay the following amounts in the following order:

- (1) To pay Operating Expenses;
- (2) To credit the Debt Service Account to pay interest, principal, and premium, if any, next maturing or coming due on the next Interest Payment Date or pursuant to any Mandatory Redemption Schedule;
- (3) To make all payments required to be made into the Reserve Account to maintain the Reserve Requirement for and to secure the payment of any Outstanding Bonds secured by the Reserve Account;
- (4) To pay rebates or penalties to the federal government pursuant to the Tax Covenants or credit a Rebate Account with respect to any Tax-Exempt Obligations or Tax Credit Subsidy Bonds;
- (5) To credit the Subordinate Obligations Account to make all payments required to be made with respect to any Subordinate Obligations;
- (6) To credit the Rate Stabilization Account if determined by the Board;
- (7) 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;

(8) To make appropriate additions, betterments, improvements and repairs to or extension and replacements of the System;

(9) To pay any other expenses of the Board which may include payments to a Separate Utility System if the Board or City Council so determines;

(10) To pay for any other lawful Board purposes.

B. Subordinate Obligations issued pursuant to any Supplemental Resolution shall be payable from and secured by the Trust Estate only after payments made pursuant to Sections 5A(1) through (4), inclusive; provided, however, that any Series of Subordinate Obligations also may be payable from and secured by a Credit Facility pledged specifically to or provided for those Subordinate Obligations.

C. The Board hereby pledges the Net Revenues to the payment of principal of, premium (if any) and interest on all Bonds as herein provided. Pursuant to ORS 288.594, the pledge of the Net Revenues hereby made by the Board shall be valid and binding from the time of the adoption of this Master Resolution. The Net Revenues so pledged and hereafter received by the Board shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever (except for the lien of the Bonds) to the fullest extent permitted by ORS 288.594.

Section 6. Rate Covenant

A. The Board 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 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 the Outstanding Bonds and (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 Outstanding Bonds); provided, that once Consent is received, (b) in this sentence shall be deleted and the rate covenant shall only be (a). 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 are projected to meet the required level.

The following provisions will apply with Consent:

Failure to collect Net Revenues sufficient to comply with this Section shall not constitute an Event of Default if:

i. within 30 days after it discovers noncompliance, the Board employs a Qualified Consultant which recommends changes in the Board's rates;

ii. within 120 days after employment, the Qualified Consultant recommends rate changes which are estimated by the Qualified Consultant to produce Gross Revenues sufficient (once the rates recommended by the Qualified Consultant have been imposed by the Board) to comply with this Section in the Fiscal Year in which the recommendation is made; and

iii. within 45 days after it receives the Qualified Consultant's recommendations, the Board imposes rates at least as high as those recommended by the Qualified Consultant.

The calculation of rate covenant set forth above and the Board's compliance therewith, may be made solely with reference to this Master Resolution without regard to future changes in GAAP. If the Board has changed one or more of the accounting principles used in the preparation of its annual financial statements, because of a change in GAAP or otherwise, then an event of default relating to this rate covenant shall not be considered an Event of Default if the rate covenant ratio would have been complied with had the Board continued to use those accounting principles employed at the date of the most recent annual financial statements prior to the date of this Master Resolution.

B. The Board may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 6A. If the Board transfers funds from the Rate Stabilization Account pursuant to Section 4E during any Fiscal Year to satisfy such rate covenant, the Board covenants for the benefit of the Owners of the 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 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 calculation 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 calculation shows that such Net Revenues fail to meet the requirements of Section 6A (and, if applicable, Section 6B), then the Treasurer shall simultaneously prepare a calculation 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 6A (and, if applicable, Section 6B), 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 greater than 90 days from the date of the calculation.

Section 7. Additional Bonds

A. Before any Bonds shall be issued the Board of Commissioners shall adopt a Supplemental Resolution authorizing such Bonds, fixing the amount and the details thereof, describing the purpose or purposes for which such Bonds are to be issued. The Bonds of each such Series shall be designated by such name, shall be in such denominations, shall be dated, shall bear interest at a rate or rates (including variable interest rates) not exceeding the maximum interest rate set forth in the Supplemental Resolution, shall be payable, as to principal, premium, if any, and interest, on such dates and at such place or places, shall be made redeemable at such times and

prices, and shall be numbered as may be provided by the Supplemental Resolution or Certificate of Board.

B. The Board may issue Additional Bonds to provide funds for any purpose relating to the System which is authorized by law, but only upon the following conditions:

(1) No Default under this Master Resolution or any Supplemental Resolution has occurred and is continuing.

(2) At the time of the issuance of the Bonds there is no deficiency in the Reserve Account.

(3) Except as provided in this paragraph, the Supplemental Resolution authorizing the issuance of a Series of Additional Bonds shall state the Reserve Requirement, if any, for such Series and, unless the next sentence applies, require that a deposit be made at closing sufficient to bring the balances in the Reserve Account equal to the Reserve Requirement, if any, for 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.

(4) The Supplemental Resolution authorizing the issuance of the Additional Bonds contains a covenant requiring the Board to charge rates and fees sufficient to generate Net Revenues equal to the amount required by the rate covenant in Section 6 of this Master Resolution, including the proposed Additional Bonds.

(5) There shall have been filed with the Board either:

(a) a certificate of the Treasurer stating that Net Revenues in the Base Period preceding the delivery of the Additional Bonds then proposed to be issued are not less than the sum of (i) 125% of the Annual Debt Service on all Outstanding Bonds during the Base Period, plus (ii) 125% of the average Annual Debt Service on the Additional Bonds then proposed to be issued. For purposes of the preceding sentence, in the event that any adjustment in the rates, fees and charges for the services of the System shall be effective on or before the date of the delivery of such series of Additional Bonds, the Treasurer shall reflect in his or her certificate the Net Revenues he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period; or

(b) a certificate of the Qualified Consultant setting forth:

(i) the amount of the Adjusted Net Revenues (defined below) for the five Fiscal Years succeeding the date of delivery of the Additional Bonds then proposed to be issued, or, if capitalized interest from Bond proceeds is used, five Fiscal Years after the last capitalized interest payment; and

(ii) the Annual Debt Service on all Outstanding Bonds and the average Annual Debt Service for each maturity of the Series of Additional Bonds then proposed

to be issued, and stating that the amount shown in paragraph (a) above for each of the five Fiscal Years succeeding the date of delivery of the Additional Bonds, then proposed to be issued, or, if capitalized interest is used, five Fiscal Years after the last capitalized interest payment is not less than the sum of 125% of the Annual Debt Service on all Outstanding Bonds, plus 125% of the average Annual Debt Service on the Series of Additional Bonds then proposed to be issued.

"Adjusted Net Revenues" shall be computed by the Qualified Consultant by adjusting the Net Revenues for the period by any or all of the following conditions and requirements as may be appropriate to the circumstances:

(aa) if the Additional Bonds are being issued for the purpose of acquiring operating water utility properties having an earnings record, the Qualified Consultant shall estimate the effect on the Net Revenues of the acquisition of such water utility properties and the integration thereof into the System, and shall adjust the Net Revenues for the period to give effect to such estimate. Any such estimate shall be based on the statements and records relating to the earnings of such water utility properties to be acquired.

(bb) if any changes in rates and charges have been adopted by the Board and which

(1) are in effect on the date of delivery of the Additional Bonds, or

(2) are to go into effect not later than 12 months after such date, the Qualified Consultant may, if such changes result in increases in such rates and charges, and shall, if such changes result in reductions in such rates and charges, adjust the Net Revenues to reflect any change in such Net Revenues during that period.

(cc) if there are forecast to be any customers added to the System during the period or thereafter and prior to the date of the Qualified Consultant's certificate, the Net Revenues may be adjusted to reflect the added revenues paid by such added customers.

(dd) if extensions of or additions to the System are in the process of construction on the date of the Qualified Consultant's certificate, or if the proceeds of the Additional Bonds being issued are to be used to acquire or construct extensions of or additions to the System, the Net Revenues for the period may be adjusted by adding any additional revenues not included in the preceding paragraphs that will be delivered from such additions and extensions and deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions,

(C) There shall have been delivered to the Board an opinion of Bond Counsel, to the effect that the Additional Bonds are valid and binding obligations of the Board and that the issuance of the Additional Bonds shall not cause the interest paid on any Outstanding Tax-Exempt Obligations to become subject to federal income taxation.

The Board may issue Additional Bonds to refund Outstanding Bonds, notwithstanding the preceding requirements, if the Annual Debt Service of the refunding Bonds does not exceed the Annual Debt Service for the refunded Bonds payable in any Fiscal Year by more than \$5,000.

All Additional Bonds shall have a lien on the Trust Estate that is equal to the lien of the Bonds issued in accordance with this Master Resolution or any Supplemental Resolution.

Section 8. General Covenants

The Board hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:

(1) That it will promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Master Resolution and any Supplemental Resolution.

(2) That it will maintain complete books and records relating to the operation of the System and all Board funds and accounts in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Bondowners.

(3) That it will not issue bonds or other obligations having a claim superior to the claim of the Bonds upon the Trust Estate.

(4) That it will promptly deposit into all funds and accounts to all sums required to be so deposited by this Master Resolution.

(5) That it will operate the System in a sound, efficient and economic manner.

(6) That it will at all times maintain with responsible insurers all such insurance on the System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the System is damaged or destroyed, such part will be restored to use or will be replaced. The money collected from insurance against accident to or destruction of the System will be used for repairing or rebuilding or replacing the damaged or destroyed System, and to the extent not so applied, will be applied to the payment or redemption of the Bonds on a pro rata basis, and for such purpose paid into the Debt Service Account.

Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the Board, or in the form of self-insurance by the Board. The Board shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

(7) The Board will not, nor will it permit others to sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the System except:

(a) The Board may dispose of all or substantially all of the System, provided that simultaneously the Board shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(b) Except as provided below, the Board will not dispose of any part of the System in excess of 5% of the value of the System in service unless prior to such disposition:

(i) there has been filed with the Board a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the Board to comply with the rate covenant contained in Section 6 of this Master Resolution; or

(ii) provision is made for the payment, redemption or other defeasance of a principal amount of Bonds equal to the greater of the following amounts;

(aa) An amount which will be in the same proportion to the net principal amount of Outstanding Bonds (defined as the total principal amount of Outstanding Bonds less the amount of cash and investments in the Debt Service Account) that the Gross Revenues attributable to the part of the System sold or disposed of for the 12 preceding months bears to the total Gross Revenues for such period;

(bb) An amount which will be in the same proportion to the net principal amount of Outstanding Bonds that the book value of the part of the System sold or disposed of bears to the book value of the System immediately prior to such sale or disposition.

(c) Notwithstanding any other provision of this Section 8 the Board may dispose of any portion of the System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the System.

(d) If the ownership of all or part of the System is transferred from the Board through the operation of law, the Board shall to the extent authorized by law, reconstruct or replace such transferred portion using any proceeds of the transfer unless the Board reasonably determines that such reconstruction or replacement is not in the best interest of the Board and the Bondowners, in which case any proceeds shall be used for the payment, redemption or defeasance of Bonds.

(8) The Board is duly authorized under all applicable law to create and issue the Bonds and to adopt this Master Resolution and to pledge the Net Revenues and other money, securities and funds purported to be pledged by this Master Resolution in the manner and to the extent provided in this Master Resolution. The Net Revenues and other money, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by this Master Resolution, except as otherwise expressly provided herein, and all action on the part of the Board to that end has been duly and validly taken. The Bonds are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of this Master Resolution. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Revenues and other money, securities and funds pledged under this Master Resolution

and each Supplemental Resolution and all the rights of the Bondowners hereto against all claims and demands of all persons whomsoever.

Section 9. Derivative Products

A. The Board may enter into Derivative Products on a parity with the Bonds subject to the conditions provided in this Section 9. For purposes of this Master Resolution the following terms have the following meanings:

(1) “Board Payment” means any payment required to be made by or on behalf of the Board under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

(2) “Derivative Facility” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the Board’s obligations under one or more Derivative Products.

(3) “Derivative Payment Date” means any date specified in the Derivative Product on which a Board Payment is due and payable under the Derivative Product.

(4) “Derivative Product” means a written contract or agreement between the Board and a third party that has at least an investment grade rating from a Rating Agency (the “Reciprocal Payor”) which provides that the Board’s obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the Board is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Board Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the Board, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(b) for which the Board’s obligations to make Board Payments may be secured by a pledge of and lien on the Net Revenues on an equal and ratable basis with the Outstanding Bonds;

(c) under which Reciprocal Payments are to be made directly into the Debt Service Account;

(d) for which the Board Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product.

(5) “Derivative Product Account” means the Derivative Product Account, if any, created and established under Section 9B(4) hereof.

(6) “Reciprocal Payment” means any payment to be made to, or for the benefit of the Board under a Derivative Product by the Reciprocal Payor.

(7) “Reciprocal Payor” means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

B. The following shall be conditions precedent to the use of any Derivative Product on a parity with the Bonds under this Master Resolution.

(1) General Parity Tests. The Derivative Product must satisfy the requirements for Additional Bonds described in Section 7 of this Master Resolution.

(2) Opinion of Bond Counsel. The Board shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this Master Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Tax-Exempt Obligations.

(3) Payments. Each Derivative Product shall set forth the manner in which the Board Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(4) Supplemental Resolution to Govern Derivative Products. Prior to entering into a Derivative Product, the Board shall execute a Supplemental Resolution, which shall:

(a) create and establish a Derivative Product Account or provide for some other way to account for the use of a Derivative Product within the Debt Service Account establish general provisions for the retention of Net Revenues in amounts sufficient to make, when due, Board Payments;

(b) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(c) set forth such other matters as the Board deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this Master Resolution.

Except as may be otherwise provided in the Supplemental Resolution establishing the Derivative Product Account, additional Supplemental Resolutions may be delivered pursuant to Section 14 of this Master Resolution in connection with any Derivative Product.

Section 10. Contract Resource Obligations

With Consent, a Contract Resource Obligation may be included in the System's Operating Expenses if the following requirements are met:

(A) No Event of Default has occurred and is continuing.

(B) There shall be on file with the Board a certificate of a Qualified Consultant stating that the annual Net Revenues for each of the full Fiscal Years in the period specified in the next sentence, as such Net Revenues are estimated by the Qualified Consultant in accordance with Section 7B5(b), shall be equal to at least 125% of average Annual Debt Service, as estimated by the Qualified Consultant in accordance with Section 7B5(b). The period for the determination of annual Net Revenues shall be the period beginning with the first Fiscal Year following the earliest of (a) the date to which interest is capitalized, (b) the date of initial operation of the facilities to be financed, or (c) in the case of an existing facility, the date of acquisition thereof, and ending with the fifth full Fiscal Year after such date.

(C) The Contract Resource Obligation shall not be subject to acceleration.

Section 11. Maintenance of Tax-Exempt Status

A. The Board covenants for the benefit of the Owners of all Tax-Exempt Obligations to comply with all provisions of the Code which are required for Tax-Exempt Obligation interest to be excluded from gross income for federal taxation purposes, unless the Board obtains an opinion of Bond Counsel that such compliance is not required for the interest paid on the Tax-Exempt Obligations to be so excluded. The Board also covenants for the benefit of the Owners of Tax Credit Subsidy Bonds to comply with the Code. The Board makes the following specific covenants with respect to the Code:

(1) The Board will not take any action or omit any action if it would cause the Tax-Exempt Obligations to become arbitrage bonds under Section 148 of the Code.

(2) The Board shall operate the facilities financed with the Tax-Exempt Obligations or shall cause such facilities to be operated so that the Tax-Exempt Obligations which were not issued as "private activity bonds" within the meaning of Section 141 of the Code do not become private activity bonds.

(3) The Board shall comply with appropriate reporting requirements.

(4) The Board shall pay, when due, all rebates and penalties with respect to the Tax-Exempt Obligations or Tax Credit Subsidy Bonds which are required by Section 148(f) of the Code.

The covenants contained in this Section 11 and any covenants in the closing documents for the Tax-Exempt Obligations or Tax Credit Subsidy Bonds shall constitute contracts with the owners of the Tax-Exempt Obligations or Tax Credit Subsidy Bonds, and shall be enforceable by them.

Section 12. Defaults

A. Events of Default. The Board hereby finds and determines that the continuous operation of the System and the collection, deposit and disbursement of the Net Revenues in the manner provided in this Master Resolution and in any Supplemental Resolution are essential to the payment and security of the Bonds and Derivative Products (if any), and the failure or refusal of the Board to perform the covenants and obligations contained in this Master Resolution or any such Supplemental Resolution will endanger the necessary continuous operation of the System and the application of the Net Revenues to the purposes set forth in this Master Resolution.

B. The Board hereby covenants and agrees with the purchasers and owners from time to time of the Bonds, to protect and safeguard the covenants and obligations undertaken by the Board securing the Bonds, that the following shall constitute "Events of Default":

(1) If default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Bonds when the same shall become due and payable, either at maturity, tender or by proceedings for Redemption or otherwise;

(2) If default shall be made in the due and punctual payment of any installment of interest on any Bonds whether scheduled or payable by reason of Redemption or tender;

(3) If the Board shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Board contained in this Master Resolution, and such default or defaults shall have continued for a period of 90 days after the Board shall have received from the Bondowners Committee, if any, or from the Owners of not less than 50% in aggregate principal amount of the Bonds Outstanding, a written notice specifying the Event of Default and demanding the cure of such default;

(4) If the Board shall (except as herein permitted) sell, transfer, assign or convey any properties constituting the System or interests therein, or any part or parts thereto or shall make any agreement for such sale or transfer (except as expressly authorized by Section 8(7) hereof);

(5) If an order, judgment or decree shall be entered by any court of competent jurisdiction:

(a) appointing a receiver, trustee or liquidator for the Board or the whole or any part of the System;

(b) approving a petition filed against the Board seeking the bankruptcy, arrangement or reorganization of the Board under any applicable law of the United States or the State; or

(c) assuming custody or control of the Board or of the whole or any part of the System under the provisions of any other law for the relief or aid of debtors and such order judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated within 60 days from the date of the entry of such order, judgment or decree; or

- (6) If the Board shall:
- (a) admit in writing its inability to pay its debts generally as they become due;
 - (b) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
 - (c) make an assignment for the benefit of its creditors;
 - (d) consent to the appointment of a receiver of the whole or any part of the System; or
 - (e) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Board or of the whole or any part of the System.

Section 13. Remedies Upon a Default

The following provisions apply prior to the Consent:

A. Appointment of Trustee. During the continuance of an Event of Default, the owners of 50% in aggregate principal amount of the Bonds then Outstanding may call a Bondowners meeting for the purpose of electing a Bondowners Committee. Such meeting shall be called and the proceedings shall be conducted in the manner provided in this Section 13.

(1) At such meeting the Bondowners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondowners, to the Bondowners Committee which shall act as trustee for all Bondowners, and the Bondowners Committee as such trustee may have and exercise all the rights and powers provided for in this Master Resolution to be exercised by the Bondowners Committee. The Bondowners present in person or by proxy at said meeting, or at any adjourned meeting thereof shall prescribe the manner in which the successors of the persons elected to the Bondowners Committee at such Bondowners meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the Bondowners Committee of the powers conferred upon it herein and may provide for the termination of the existence of the Bondowners Committee. The members of the Bondowners Committee elected by the Bondowners in the manner herein provided, and their successors, as a committee are hereby declared to be trustees for the owners of all the Bonds then Outstanding, and are empowered to exercise in the name of the Bondowners Committee as trustee, all the rights and powers hereinafter conferred on the Bondowners Committee.

B. Books of Board Open to Inspection.

(1) The Board covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Board and all other records relating to the System shall at all reasonable times be subject to the inspection and use of the Bondowners Committee and any persons holding at least 20% of the principal amount of Outstanding Bonds and their respective agents and attorneys.

(2) The Board covenants that if the Event of Default shall happen and shall not have been remedied, the Board will continue to account, as a trustee of an express trust, for all Net Revenues and other money, securities and funds pledged under this Master Resolution.

C. Payment of Funds to Bondowners Committee. The Board covenants that if an Event of Default shall happen and shall not have been remedied, the Board upon demand of the Bondowners Committee, shall, if it is then lawful to do so, pay over to the Bondowners Committee:

(1) immediately, all money, securities and funds then held by the Board and pledged under this Master Resolution, and

(2) as promptly as practicable after receipt thereof, all Gross Revenues.

D. Possession by Bondowners Committee of Properties of System; Receivership. At any time after the occurrence of an Event of Default and prior to the curing of such Event of Default the Bondowners Committee, as a matter of right against the Board, shall, to the extent permitted by law, be entitled to take possession and control of the business and properties of the System. Upon taking such possession, the Bondowners Committee shall operate and maintain the System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for the System, collect the Gross Revenues, and perform all of the agreements and covenants contained in all contracts which the Board is at the time obligated to perform. At any such time and if permitted by law the Bondowners Committee shall be entitled to the appointment of a receiver of the business and property of the System, of the money, securities and funds of the Board pledged under this Master Resolution, and of the Gross Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer, including the power to perform and enforce all contracts, to the same extent that the Board shall then be entitled and obligated to do. Notwithstanding the appointment of any receiver, the Bondowners Committee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Gross Revenues deposited or pledged with it under this Master Resolution or agreed or provided to be delivered to or deposited or pledged with it under this Master Resolution.

E. Application of Funds by Bondowners Committee.

(1) During the continuance of an Event of Default, the Gross Revenues received by the Bondowners Committee, whether pursuant to the provisions of the preceding paragraph, or as the result of taking possession of the business and properties of the System, shall be applied by the Bondowners Committee, first to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Bondowners Committee (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the System necessary to prevent any loss of Gross Revenues, and with respect to the sufficiency of the rates and charges for services and products sold, furnished or supplied by the System), and thereafter in accordance with the priorities established in Section 5 hereof.

(2) In the event that at any time the funds held by the Bondowners Committee and the Registrar for the Bonds shall be insufficient for the payment of the principal of, premium,

if any, and interest then due on the Bonds, such funds (other than funds held for the payment or Redemption of particular Bonds which have theretofore become due at maturity or by call for Redemption) and all Gross Revenues and other moneys received or collected for the benefit or for the account of Owners of the Bonds by the Bondowners Committee shall be applied as follows:

First, to the payment to the persons entitled thereto of all installments of interest then due on Bonds in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Bonds which shall have become due, whether at maturity or by call for Redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Third, to the payment to the persons entitled thereto of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Fourth, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

F. Relinquishment of Possession and Funds Upon Remedy of Default.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Bondowners Committee and the Owners of Bonds, their respective agents and attorneys, and all other sums payable by the Board under this Master Resolution including the principal of, premium, if any, and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of the Board, or provision satisfactory to the Bondowners Committee shall be made for such payment, and all defaults under this Master Resolution or the Bonds shall be made good or secured to the satisfaction of the Bondowners Committee or provision deemed by the Bondowners Committee to be adequate shall be made therefor, the Bondowners Committee shall relinquish possession and

control of the System and pay over to the Board all moneys, securities, funds and Gross Revenues then remaining unexpended in the hands of the Bondowners Committee and thereupon all Gross Revenues shall thereafter be applied as provided in Section 5 of this Master Resolution. No such payment over to the Board by the Bondowners Committee or resumption of the application of Gross Revenues as provided in Section 5 of this Master Resolution shall extend to or affect any subsequent default under the Master Resolution or impair any right consequent thereon.

G. Suits at Law or in Equity.

(1) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Bondowners Committee by its agents and attorneys, shall be entitled and empowered to proceed forthwith to take such necessary steps and institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce the rights of the owners of the Bonds under this Master Resolution, for the specific performance of any covenant herein contained or in aid of the execution of any power herein granted, or for an accounting against the Board as trustee of an express trust, or in the enforcement of any other legal or equitable right as the Bondowners Committee, being advised by counsel, shall deem most effectual to enforce any of the rights of the Owners of the Bonds.

(2) Any action, suit or other proceedings instituted by the Bondowners Committee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this Master Resolution may be enforced by the Bondowners Committee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective Owners of said Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners Committee the true and lawful trustee of the respective Owners of said Bonds, the authority to institute any such action, suit or proceeding, to receive as trustee and deposit in trust any sums becoming distributable on account of said Bonds, to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Bondowner might have done in person, provided however, that nothing herein contained shall be deemed to authorize or empower the Bondowners Committee to consent to, accept or adopt, on behalf of any Owner of Bonds, any plan of reorganization or adjustment affecting the said Bonds of the Board or any right of any Owner thereof, or to authorize or empower the Bondowners Committee to vote the claims of the Owners hereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Board shall be a party; and provided further, however, that any Bondowner or Bondowners may by mutual agreement transfer title to the Bonds held by them to the Bondowners Committee, or may by agreement with other Bondowners create or organize a separate trustee or Bondowners Committee and may confer upon the Bondowners Committee or such-separate trustee or Bondowners Committee, such powers and duties as such agreement or agreements shall provide, and the provisions of this Master Resolution shall not be construed as a limitation on the powers and duties which consenting Bondowners may by agreement confer on the Bondowners Committee or such separate trustee or Bondowners Committee. The Bondowners Committee shall have full power of substitution and delegation in respect to any of the powers hereby granted.

H. Direction of Actions of Bondowners Committee.

The Owners of not less than a majority in aggregate principal amount of the Bonds that are the subject of a Bondowners Committee at the time Outstanding, may direct the time, method and place of conducting any proceeding for any remedy available to the Bondowners Committee, or exercising any trust or power conferred upon the Bondowners Committee, provided that the Bondowners Committee shall be provided with reasonable security and indemnity and shall have the right to decline to follow any such direction only if the Bondowners Committee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or if the Bondowners Committee in good faith shall determine that the action or proceeding so directed would involve the Bondowners Committee in personal liability or that the action or proceeding so directed would be unjustly prejudicial to the Owners of Bonds not parties to such direction.

I. Suits by Individual Bondowners.

No Owner of any one or more of the Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of any provision of this Master Resolution or the execution of any trust under this Master Resolution or for any remedy under this Master Resolution, unless an Event of Default shall have happened and be continuing, and unless no Bondowners Committee has been created as herein provided, but unless no Bondowners Committee has been created as herein provided, but any remedy herein authorized to be exercised by the Bondowners Committee, except the right to take possession of the Gross Revenues and properties of the System, but including the right to the appointment of a receiver of the business and properties of the System, may be exercised individually by any Bondowner, in their own name and on their own behalf or for the benefit of all Bondowners, in the event no Bondowners Committee has been created, or with the consent of the Bondowners Committee, if such Bondowners Committee has been created; provided, however, that nothing contained in this Master Resolution or in the Bonds shall affect or impair the obligation of the Board, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of, premium, if any, and interest on the Bonds to the respective Owners thereof or affect or impair the rights of action, which are also absolute and unconditional, of any Owner to enforce the payment of these Bonds, or to reduce to judgment their claim against the Board for the payment of the principal of and interest on their Bonds, without reference to, or the consent of, the Bondowners Committee or any other Owner of Bonds.

J. Waivers of Default.

(1) No delay or omission of the Bondowners Committee or of any Owner of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article to the Bondowners Committee or to the Owners of Bonds may be exercised from time to time and as often as may be deemed expedient by the Bondowners Committee or by such Owners.

(2) The Bondowners Committee or the Owners of not less than 50% in principal amount of the Bonds that are the subject of the Bondowners Committee and are at the time Outstanding; or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the

Bonds that are the subject of the Bondowners Committee waive any past default under the Master Resolution with respect to such Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

K. Remedies Granted in Master Resolution Not Exclusive.

No remedy by the terms of this Master Resolution conferred upon or reserved to the Bondowners Committee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Resolution or existing at law or in equity or by statute on or after the date of adoption of this Master Resolution.

L. Call of Bondowners Meetings. The Board, the Bondowners Committee or the Owners of not less than 50% in aggregate principal amount of the Bonds then Outstanding may at any time call a meeting of the Owners of the Bonds. Every such meeting shall be held at such place in the City of New York, State of New York, or in the City of Eugene, State of Oregon, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be transacted, shall be mailed to the Bondowners by the Board, the Bondowners Committee or the Bondowners calling such meeting not less than 30 nor more than 60 days before such meeting, and shall be published at least once a week for 4 successive calendar weeks on any day of the week, the date of first publication to be not less than 30 nor more than 60 days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. The expenses of publication of such notice shall be paid or reimbursed by the Board. The list of Bondowners' names and addresses maintained by the Registrar may only be released by the Board. Any meeting of Bondowners shall, however, be valid without notice if the Owners of all Bonds then Outstanding are present in person or by proxy or if notice is waived before or within 30 days after the meeting by those not so present.

M. Notice to Bondowners. Except as otherwise provided in this Master Resolution, any provision in this Master Resolution for the mailing of a notice or other paper to Bondowners shall be fully complied with if it is mailed by first class mail, postage prepaid, to each registered owner of any of the Bonds then Outstanding at his address, if any, appearing upon the Bond Register; and any provision in this Master Resolution contained for publication of a notice or other matter shall require the publication thereof in *The Bond Buyer* in the City of New York, State of New York (or in lieu of publication in *The Bond Buyer*, in a daily newspaper printed in the English language and customarily published on each business day of general circulation in the Borough of Manhattan, the City of New York, State of New York, and also in a daily newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Eugene, State of Oregon.

N. Proxies; Proof of Ownership of Bonds.

(1) Attendance and voting by Bondowners at such meetings may be in person or by proxy. Owners of Bonds may, by an instrument in writing under their hands, appoint any person or persons, with full power and substitution as their proxy to vote at any meeting for them.

Officers or nominees of the Board may be present or represented at such meeting and take part therein but shall not be entitled to vote thereat, except as such officers or nominees are Bondowners or proxies for Bondowners.

(2) Any registered Owner of Bonds shall be entitled in person or by proxy to attend and vote at such meeting as Owner of the Bonds registered in its name without producing such Bonds, and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting. All proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting.

(3) The vote at any such meeting of the Owner of any Bond entitled to vote thereat shall be binding upon such Owner and upon every such subsequent Owner of such Bond (whether or not such subsequent Owner has notice thereof).

O. Execution of Instruments by Bondowners.

(1) Any request, direction, consent or other instrument in writing required or permitted by this Master Resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondowners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Master Resolution if made by either

(a) an acknowledgment executed by a notary public or other officer empowered to take acknowledgements of deeds to be recorded in the particular jurisdiction, or

(b) an affidavit of a witness to such execution sworn to before such a notary public or other officer.

Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

(2) The foregoing shall not be construed as limiting the Board to such proof, it being intended that the Board may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done by the Board in pursuance of such request, direction or consent.

(3) The right of a proxy for a Bondowner to act may be proved (subject to the Board's right to require additional proof) by a written proxy executed by such Bondowner as aforesaid.

P. Appointment of Officers at Bondowners Meetings. Persons named by the Board or elected by the Owners of a majority in principal amount of the Outstanding Bonds represented at the meeting in person or by proxy in the event the Board is not represented at such meeting, shall act as temporary Chair and temporary Secretary of any meeting of Bondowners. A permanent

Chair and a permanent Secretary of such meeting shall be elected by the Owners of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent chair of the meeting shall appoint two Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chair and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting and with the Board their verified report of all such votes cast at the meeting.

Q. Quorum at Bondowners Meetings. The Owners of not less than the principal amount of the Bonds required for any action to be taken at such meeting must be present at such meeting in person or by proxy to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting; provided, however, that, if such meeting is adjourned by less than a quorum for more than ten days, notice thereof shall be published by the Board at least five days prior to the adjourned date of the meeting.

R. Vote Required to Amend Master Resolution. This subsection R and subsection S below apply to amendments if an Event of Default has occurred and is continuing; if no Event of Default has occurred and is continuing, Section 14 governs amendments.

Any amendment to the provisions of this Master Resolution, in any particular except the percentage of Bondowners the approval of which is required to approve such amendment, may be made by a Supplemental Resolution of the Board and a resolution duly adopted by the affirmative vote at a meeting of Bondowners duly convened and held, or with written consent as hereinafter provided in this Section 13R hereof, of the Owners of not less than 51% in principal amount of the Bonds Outstanding when such meeting is held or such consent is given; provided, however, that no such amendment shall:

- (1) extend the date of payment of the principal of any Bond or of any installment of interest thereon or reduce the principal or redemption price thereof or the rate of interest thereon or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date;
- (2) give to any Bond or Bonds any preference over all other Bond or Bonds secured equally and ratably therewith;
- (3) reduce the aforesaid percentage of Bonds, the Owners of which are required to consent to any such resolution amending the provisions of this Master Resolution; or
- (4) authorize the creation of any pledge prior to or, except as provided in Section 10 hereof, on a parity with the pledge afforded by this Master Resolution, without the consent of the Owner of each such Bond affected thereby.

S. Obtaining Approval of Amendments at Bondowners Meeting. The Board may at any time adopt a resolution amending the provisions of the Master Resolution to the extent that such amendment is permitted by the provisions of Section 13 hereof, to take effect when and as provided in this Section 13. At any time thereafter such resolution may be submitted by the Board for approval to a meeting of the Bondowners duly convened and held in accordance with the

provisions of the Master Resolution. A record of the proceedings of each meeting of the Bondowners shall be prepared by the permanent Secretary of the meeting and shall have attached thereto the original reports of the Inspectors of Votes and affidavits by a person or persons having knowledge of the facts, showing a copy of the notice of the meeting and setting forth the facts with respect to the mailing and publication thereof under the provisions of the Master Resolution. Such a record shall be signed and verified by the affidavits of the Chair and the Secretary of the meeting, and one duplicate thereof shall be delivered to the Board. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the Board making such amendment shall be approved by a resolution duly adopted at such meeting of Bondowners by the affirmative vote of the Owners of the required percentages of Bonds, a notice stating that a resolution approving such amendment has been so adopted shall be mailed by the Board to each Bondowner who has requested such notice (but failure so to mail copies of such notice shall not affect the validity of such resolution) and shall be published at least once in the manner provided in Section 13M. Proof of such mailing and publication by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Board. Such resolution of the Board making such amendment shall be deemed conclusively to be binding upon the Board, Bond Registrar, and the Owners of all Bonds at the expiration of 30 days after the publication of the notice provided for in this Section 13, except in the event of a final decree of court of competent jurisdiction setting aside such resolution or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the Board and any Bond Registrar during such 30 day period and any such further period during which such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient. Nothing in the Master Resolution contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondowners or of any right conferred hereunder to make such a call, any hindrance or delay in the exercise of any rights conferred upon or reserved to the Bond Registrar or the Bondowners under any of the provisions of the Master Resolution.

The following are remedies once Consent is obtained:

A. Bondowners' Trustee to Represent Bondowners. Upon the occurrence and continuance of an Event of Default and if a Bond Trustee has not been appointed, a Bondowners' Trustee may be appointed by the Bondowners of 50% in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys in fact duly authorized and delivered to such Bondowners' Trustee, with notification thereof being given to the Bondowners' Trustee and the Board, any Bondowners' Trustee appointed under the provisions of this Section A shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. If a Bond Trustee is in place, that trustee shall serve as Bondowners' Trustee. The fees and expenses of the Bondowners' Trustee shall be borne by the Bondowners and not by the Board. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Bondowners of a majority in principal amount of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys in fact duly authorized.

The Bondowners' Trustee appointed in the manner provided in this Section, and each successor thereto, is declared to be a trustee for the Bondowners of all of the Bonds and is empowered to exercise all of the rights and powers herein conferred on the Bondowners' Trustee.

The Bondowners' Trustee is appointed for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Bondowners under the provisions of the Bonds, this Master Resolution, any Supplemental Resolution and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bondowners' Trustee to represent the Bondowners, the Bondowners' Trustee in its discretion may upon the written request of the Bondowners of more than 50% in aggregate principal amount of the Bonds then Outstanding, shall proceed to protect or enforce its rights or the rights of the Bondowners of the Bonds by such appropriate action, suit, mandamus or other proceedings as it or the Bondowners of more than 50% in aggregate principal amount of the Bonds then Outstanding shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bondowners' Trustee or the Bondowners of the Bonds under the Bonds, this Master Resolution, any Supplemental Resolution or any law; and the Bondowners' Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the funds and other assets pledged under this Master Resolution and any Supplemental Resolution, If more than one such request is received by the Bondowners' Trustee from Bondowners, the Bondowners' Trustee shall follow the written request executed by the Bondowners of the greater percentage of Bonds then Outstanding in excess of 50%. All rights of action under the Bonds, this Master Resolution or any Supplemental Resolution or otherwise may be prosecuted and enforced by the Bondowners' Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought in the name of the Bondowners' Trustee for the benefit and protection of all the Bondowners of such Bonds, subject to the provisions of this Bond Resolution.

B. Bondowners' Direction of Proceedings. The Bondowners of more than 50% in aggregate principal amount of the Bonds then Outstanding shall be entitled (provided that the Bondowners' Trustee shall have the right to decline to follow any such direction which in the opinion of the Bondowners' Trustee would be unjustly prejudicial to Bondowners not parties to such direction), by an instrument or concurrent instruments in writing executed and delivered to the Bondowners' Trustee, to control and direct the enforcement of all rights and remedies granted to the Bondowners or the Bondowners' Trustee for the benefit of the Bondowners under this Master Resolution or any Supplemental Resolution.

C. Limitation on Bondowners' Right to Sue. No Bondowner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Resolution, any Supplemental Resolution or any applicable law with respect to such Bond unless (1) such Bondowner previously shall have given to the Bondowners' Trustee written notice of the occurrence of an Event of Default; (2) the Bondowners of more than 50% in aggregate principal amount of the Bonds then Outstanding shall have made a written request upon the Bondowners' Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Bondowners shall have tendered to the Bondowners' Trustee reasonable indemnity against the costs, expenses and

liabilities to be incurred in compliance with such request; and (4) the Bondowners' Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bondowners' Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Bondowner of Bonds of any remedy hereunder or under law, it being understood and intended that no one or more Bondowners of Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Master Resolution or the rights of any other Bondowners of Bonds, or to enforce any right under this Bond Resolution, any Supplemental Resolution or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit and protection of all Bondowners of the Outstanding Bonds, subject to the provisions of this Master Resolution.

Section 14. Amendment of Master Resolution

A. This Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners for any one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omission in this Master Resolution;

(2) To add to the covenants and agreements of the Board in this Master Resolution, other covenants and agreements to be observed by the Board which are not contrary to or inconsistent with this Master Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in this Master Resolution, other limitations and restrictions to be observed by the Board which are not contrary to or inconsistent with this Master Resolution as theretofore in effect;

(4) With the prior Opinion of Bond Counsel that to do so will not adversely affect the prior status of any Bonds intended to be, and which still are, Tax-Exempt Obligations, to authorize, in compliance with all applicable law, Bonds of any Series to be issued in the form of coupon Bonds registrable as to principal only and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon Bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the holders of such coupon Bonds, which are not contrary to or inconsistent with the applicable provisions of this Master Resolution or any Supplemental Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon Bonds;

(5) To modify, amend or supplement this Master Resolution or any Supplemental Resolution in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter to effect or to permit qualification of any Bonds for sale under the securities laws of any of the states of the United States of America;

(6) To add additional security subject to the pledge and lien of this Master Resolution or any Supplemental Resolution;

(7) To provide any of the Tax Covenants not provided by this Master Resolution or to modify in any respect any Tax Covenant so as to conform to the then applicable requirements of the Code or to delete or restrict the applicability of any Tax Covenant which, under the Code as then in effect, and in the Opinion of Bond Counsel, is no longer applicable to all or any Bonds issued or to be issued hereunder;

(8) To surrender any right, power or privilege reserved to or conferred upon the Board by the terms of this Master Resolution or any Supplemental Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the applicable covenants and agreement of the Board contained in this Master Resolution or any Supplemental Resolution;

(9) To confirm, as further assurance, any security interest or pledge created under this Master Resolution or any Supplemental Resolution;

(10) To insert such provisions clarifying matters or questions arising under this Master Resolution or any Supplemental Resolution as are necessary or desirable and are not contrary to or inconsistent with the applicable provisions of this Master Resolution or any Supplemental Resolution as theretofore in effect;

(11) To modify any of the provisions of this 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 the adoption of such Supplemental Resolution and of Bonds issued 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;

(12) To make any change required by a Rating Agency as precondition to the issuance of a rating on any Series of Bonds which is not to the prejudice of the Bondowners of the Bonds of any other Series;

(13) So long as a Credit Facility is in full force and effect with respect to the Bonds affected by such Supplemental Resolution, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:

(a) would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or

(b) changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or

(c) materially and adversely affects the rights and security afforded to the Owners of any Outstanding Bonds not secured by such Credit Facility; or

(14) To incorporate into this Master Resolution or any Supplemental Resolution any financing powers hereafter granted to or conferred upon the Board by law; or

(15) To enter into any Derivative Product permitted by the laws applicable to the Board and this Master Resolution, and to specify and determine the matters and things thought necessary or desirable in connection with the entering of such Derivative Product as are not contrary to or inconsistent with the provisions of this Master Resolution with respect to Derivative Products as theretofore in effect.

B. This Master Resolution may be amended for any other purpose only upon consent of Bondowners of not less than 51% in aggregate principal amount of the Bonds Outstanding; provided, however, that no amendment shall be valid without the consent of Bondowners of 100% of the aggregate principal amount of the Bonds Outstanding which:

(1) Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extend the time of payment or interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or

(2) Reduces the percent of Bondowners required to approve amendatory resolutions.

C. Except as otherwise expressly provided in a Supplemental Resolution, as long as a Credit Facility securing all or a portion of any Outstanding Bonds is in effect, the issuer of such Credit Facility shall be deemed to be the Bondowner of the Bonds secured by such Credit Facility:

(1) at all times for the purpose of the execution and delivery of a Supplemental Resolution or of any amendment, change or modification of this Master Resolution or the initiation by Bondowners of any action which under this Master Resolution requires the written approval or consent of or can be initiated by the Bondowners of at least a majority in principal amount of the affected Bonds at the time Outstanding; and following an Event of Default for all other purposes.

(2) Notwithstanding the foregoing, the issuer of such Credit Facility shall not be deemed to be a Bondowner secured thereby with respect to any such Supplemental Resolution or of any amendment, change or modification of this Master Resolution which:

(a) would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or

(b) changes the maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or

(c) reduces the percentage or otherwise affects the classes of affected Bonds, the consent of the Bondowners of which is required to effect any such modification or amendment;

(3) In addition and notwithstanding the foregoing, no issuer of a Credit Facility given as security for any Bonds shall be entitled to exercise any rights under this Section 14 during any period where:

(a) the Credit Agreement or Credit Facility to which such Credit Provider is a party shall not be in full force and effect;

(b) such Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law;

(c) such Credit Provider shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or

(d) an order or decree shall have been entered, with the consent or acquiescence of such Credit Provider, appointing a receiver or receivers or the assets of the Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Credit Provider, shall not have been vacated or discharged or stayed within 90 days after the entry thereof.

(4) For purposes of determining the percentage of Bondowners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Resolution, the Owners of Bonds which constitute Capital Appreciation Obligations shall be treated as Owners of Bonds in an aggregate principal amount equal to the Accreted Value of such Bonds as of the date the Bond Registrar sends out notice of requesting consent, waiver or other action as provided herein.

Section 15. Defeasance

In the event that the Board, to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Account or in another special account, held in trust by an independent trustee or escrow agent, Defeasance Obligations in amounts which will mature and pay interest on or prior to the Bond payment dates and which are sufficient to redeem, retire or pay such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such Defeasance Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Account for the payment of the principal of and interest on such Bond. The sufficiency of the amount of such Defeasance

Obligations shall be verified by an independent firm of accountants. The Owner of such Bond shall cease to be entitled to any lien, benefit or security of this Master Resolution except provisions regarding the transfer, exchange and replacement of Bonds, and shall be entitled to receive payment of principal, premium, if any, and interest only from such special account; such Bond shall be deemed not otherwise to be Outstanding hereunder. The lien of such Bond upon the Net Revenues may be defeased, and such Bond shall be deemed paid, if the Board places or causes to be placed in irrevocable escrow Defeasance Obligations which are calculated to be sufficient, without reinvestment to pay principal, interest and any premium on such Bond as it becomes due, either at maturity or on prior redemption.

Section 16. Bond Trustee

16.01 Duties, Immunities and Liabilities of Bond Trustee.

(A) The Bond Trustee shall perform such duties and only such duties as are specifically set forth in this Master Resolution and, except to the extent required by law, no implied covenants or obligations shall be read into this Master Resolution against the Bond Trustee.

(B) The Board may remove any Bond Trustee at any time, upon 15 days' prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (D) of this Section, or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint a successor Bond Trustee by an instrument in writing. The Board or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

(C) Any Bond Trustee may at any time resign by giving written notice of such resignation to the Board and by giving the Bondowners notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Board may appoint a successor Bond Trustee by an instrument in writing or hold the Bond Fund itself,

(D) Any Bond Trustee shall be a bank or trust company organized under the law of the State or the State of New York or a national banking association. In case at any time any Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (D), the Bond Trustee shall resign immediately,

16.02 Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, statement, requisition, facsimile transmission, electronic mail, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Whenever in the administration of the trusts imposed upon it by this Master Resolution the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Board, and such certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Resolution in reliance upon such certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Bond Trustee agrees to accept and act upon instructions or directions pursuant to this Bond Resolution sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that, the Bond Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing.

Section 17. Resolution to Constitute Contract

In consideration of the purchase and acceptance of any or all of the Bonds by the Bondowners, the provisions of this Master Resolution shall be part of the contract of the Board with the Bondowners and shall be deemed to be and shall constitute a contract between the Board and the Bondowners. The covenants, pledges, representations and warranties contained in this Master Resolution or in the closing documents executed in connection with the Bonds, including without limitation the Board's covenants and pledges contained in Sections 6 and 8 hereof, and the other covenants and agreements herein set forth to be performed by or on behalf of the Board 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 such Bonds over any other thereof, except as expressly provided in or pursuant to this Master Resolution

So long as any of the Bonds are Outstanding, each of the obligations, duties, limitations and restraints imposed upon the Board by this Master Resolution shall be deemed to be a covenant between the Board and every holder of the Bonds. This Master Resolution and every provision and covenant hereof, shall constitute a contract with every holder from time to time of the Bonds and, whether or not an Event of Default shall then exist shall be enforceable by any Owner or holder of a Bond or of any of the coupons of any of the Bonds, by mandamus or other appropriate action or proceeding at law or in equity in any court of competent jurisdiction, including, without limiting the generality of the foregoing, the bringing of a suit or suits to compel compliance with the provisions of this Master Resolution.

Section 18. Miscellaneous

A. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Resolution or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Bond Trustee, and the holders of the Bonds, any legal or equitable right, remedy or claim under or by reason of or in respect to this Master Resolution or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Master Resolution and all of the covenants, conditions,

stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Bond Trustee, and the holders from time to time of the Bonds as herein and therein provided.

B. All the terms, provisions, conditions, covenants, warranties and agreements contained in this Master Resolution shall be binding upon the successors and assigns of the Board and shall inure to the benefit of the holders of the Bonds.

C. No member of the Board and no officer or employee of the Board shall be individually or personally liable for the payment of the principal of or interest or premium on any Bond. Nothing herein contained shall, however, relieve any such member, officer or employee from the performance of any duty provided or required by law.

D. Whenever in this Master Resolution the giving of notice by mail, publication, or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

E. The Resolution shall be construed and interpreted in accordance with the laws of the State and all suits and actions arising out of this Master Resolution shall be instituted in a court of competent jurisdiction in the State.

F. Any resolution of the Board, and any part of any resolution, inconsistent with the Resolution is hereby repealed to the extent of such inconsistency.

G. This Master Resolution shall become effective upon its adoption.

ADOPTED this 3rd day of March, 2020.

THE CITY OF EUGENE, OREGON

Acting by and through the Eugene Water & Electric
Board

President

I, Anne M. Kah, the duly appointed and qualified 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 the Board at its March 3, 2020 Board Meeting.

Assistant Secretary